

California State Archives
State Government Oral History Program

Oral History Interview

with

HON. BERT A. BETTS

State Treasurer, 1958 - 1966

July 15 and 21, August 11 and 18, 1987
Sacramento, California

By Jacqueline S. Reinier
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PREFACE

On September 25, 1985, Governor George Deukmejian signed into law A.B. 2104 (Chapter 965 of the Statutes of 1985). This legislation established, under the administration of the California State Archives, a State Government Oral History Program "to provide through the use of oral history a continuing documentation of state policy development as reflected in California's legislative and executive history."

The following interview is one of a series of oral histories undertaken for inclusion in the state program. These interviews offer insights into the actual workings of both the legislative and executive processes and policy mechanisms. They also offer an increased understanding of the men and women who create legislation and implement state policy. Further, they provide an overview of issue development in California state government and of how both the legislative and executive branches of government deal with issues and problems facing the state.

Interviewees are chosen primarily on the basis of their contributions to and influence on the policy process of the state of California. They include members of the legislative and executive branches of the state government as well as legislative staff, advocates, members of the media, and other people who played significant roles in specific issue areas of major and continuing importance to California.

By authorizing the California State Archives to work cooperatively with oral history units at California colleges and universities to conduct interviews, this program is structured to take advantage of the resources and expertise in oral history available through California's several institutionally based programs.

Participating as cooperating institutions in the State Government Oral History Program are:

Oral History Program
History Department
California State University, Fullerton

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Center for California Studies
California State University, Sacramento

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Claremont Graduate School

Regional Oral History Office
The Bancroft Library
University of California, Berkeley

Oral History Program
University of California, Los Angeles

The establishment of the California State Archives State Government Oral History Program marks one of the most significant commitments made by any state toward the preservation and documentation of its governmental history. It supplements the often fragmentary historical written record by adding an organized primary source, enriching the historical information available on given topics and allowing for more thorough historical analysis. As such, the program, through the preservation and publication of interviews such as the one which follows, will be of lasting value to current and future generations of scholars, citizens, and leaders.

John F. Burns
State Archivist

July 27, 1988

This interview is printed on acid-free paper.



BERT A. BETTS

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INTERVIEW HISTORY

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Interview Time and Place:

July 15, 1987
Home of Bert A. Betts in Sacramento, California
Session of one hour

July 21, 1987
Home of Bert A. Betts in Sacramento, California
Session of one hour

August 11, 1987
Home of Bert A. Betts in Sacramento, California
Session of one hour

August 18, 1987
Home of Bert A. Betts in Sacramento, California
Session of one hour

Editing

Reinier checked the verbatim manuscript of the interview against the original tape recordings, edited for punctuation, paragraphing, and spelling and verified proper names. Insertions by the editor are bracketed. The interviewer also prepared the introductory materials.

On July 29, 1988, Mr. Betts was forwarded a copy of the edited transcript for his approval, which was returned with minor corrections.

Papers

There exist no private papers which the interviewer was able to consult for this interview.

Tapes and Interview Records

The original tape recordings of the interviews are in the University Library at CSUS along with the records relating to the interview. Master tapes are preserved at the California State Archives.

BIOGRAPHICAL SUMMARY

Bertram Angus Betts, Jr. was born on August 16, 1923 in San Diego, California to Bertram Angus Betts, Sr. and Alma Caroline Jorgenson Betts. He grew up in San Diego where he attended Garfield Elementary School from 1928 to 1935, Horace Mann Junior High School from 1935 to 1938, and Hoover High School from 1938 to 1941. He was able to attend only one semester of San Diego State College in the fall of 1941 before the attack on Pearl Harbor in December. From 1942 to 1945 Mr. Betts enlisted in the U.S. Army Air Corps, serving as a B-24 bomber pilot in thirty combat missions over enemy-occupied Europe. For his World War II service, Mr. Betts received the Distinguished Flying Cross, the Air Medal, and four Oak Leaf Clusters. Mr. Betts completed his higher education after World War II, attending California Western University in San Diego from 1946 to 1950, receiving a Bachelors degree in Business Administration. In November, 1950, he also received his Certified Public Accounting Certificate from the state of California.

Mr. Betts began his accounting career while still in school, serving as accountant for John L. Gillette of San Diego from 1946 to 1948 and joining him as partner in 1949 and 1950. From 1950 to 1954 he taught accounting classes at San Diego Junior College and San Diego State College. In 1951 he began his private practice as a certified public accountant in Lemon Grove, California. He was joined by Richard C. Munden in 1954 and continued his practice until 1959 when he assumed the position of State Treasurer. On August 2, 1945 Mr. Betts married Sarah Ellen Wagner and from 1946 to 1953 the couple had six children. His growing family stimulated his interest in education and from 1954 to 1957 he served as Trustee and then President of the Lemon Grove School District Board. A registered Democrat, during these years he also became active in the Democratic party, serving as a member of the San Diego County Democratic Central Committee from 1955 to 1957 and then of the Democratic State Central Committee from 1958 to 1970. He attended two Democratic National Conventions as a delegate in 1960 and 1964.

Mr. Betts served as State Treasurer of California from 1958 to 1966 during the two administrations of Governor Edmund G. Brown, Sr. His efforts as Treasurer focused on modernizing the office and creating flexibility and competition in investment programs and bond selling. While he was Treasurer the issuing of California bonds increased greatly and he marketed nearly \$3.5 billion in bonds including the \$1.75 billion in California State Water Project bonds. As Treasurer, Mr. Betts served as a member of the nationwide five-man committee of the National Association of Auditors, Comptrollers, and Treasurers which worked to protect the tax-exempt status of municipal bonds.

Mr. Betts has participated in a wide variety of civic and

community activities ranging from the American Legion, Veterans of Foreign Wars, and Native Sons of the Golden West to American Institute of Certified Public Accountants, Municipal Finance Officers of the United States and Canada, and National Association of State Auditors, Comptrollers, and Treasurers. He is the author of two publications, A Decade of Fiscal Responsibility (1967) and A Citizen Answers (1972).

After he left the State Treasurer's Office in 1966, Mr. Betts served as a municipal bond consultant, retiring in 1976. He currently lives in Sacramento with his second wife, attorney Barbara Lang (Hayes) Betts. Combining their previous families and including their own son, Bruce Harold Betts, born in 1966, the couple are parents of ten children.

[Session 1, July 15, 1987]

[Begin tape 1, side A]

I. BIOGRAPHICAL BACKGROUND

REINIER: Mr. Betts, I understand that you were the youngest man ever elected to constitutional office in the state of California.

BETTS: Yes, that is certainly my understanding of it. We checked and at the time I took office we were unable to find any record of anyone that had been elected at a younger age.

REINIER: You were thirty-five in 1958?

BETTS: In 1958 I was thirty-five, right.

REINIER: I'm very interested in what brought such a young man to constitutional office.

BETTS: I would say that at that particular time in our history things happened rapidly for our generation. I was in the service when I was eighteen. I was back from combat when I was twenty. I then had to find a way after I got out of the service to feed my family. I, of course, had nothing before eighteen other than one semester of college after high school. So I went into the accounting field. From the accounting field I got my certificate as a CPA

[Certified Public Accountant] and opened my office.

Then in 1956 and '57 there seemed to be some disarray among the Republicans which indicated to me that it might be a good time to see if I could put forth some of my knowledge for the betterment of the state of California. Prior to that I had been elected to the school board and had served three years on the school board in San Diego County. It just sort of struck me that when I heard that all of this was happening that possibly it would be the time for me to enter statewide politics, because I did feel that as a certified public accountant I had something to offer the people of California.

San Diego Background

REINIER: Now there were several factors that were important, I think, in your candidacy. One certainly was that you came from San Diego.

BETTS: Definitely, I felt at that time, and I still do, that generally the candidates come from the Los Angeles and San Francisco areas and that it was only fair that the southern part of the state should receive more recognition. At that time I don't think that we had had any constitutional officer from the city of San Diego or from San

Diego County. Later it developed that very possibly one of the state treasurers in the very early years, in the 1800's, had come from San Diego, although I don't know that, I was never able to find out. So that was one of the things that I felt was in my favor to possibly get the nomination for the treasurer's office or at the time for the controller's office, which I can go into later.

REINIER: So, important in your candidacy was balancing the ticket.

BETTS: Definitely. It was balancing the ticket geographically. We had a man running for the senate named Clair Engle from Red Bluff, which was the north, and Bert Betts from the south in San Diego, and the others from the larger areas in Los Angeles and San Francisco. So we felt that geographically we did have a balanced ticket.

REINIER: And you had grown up in San Diego?

BETTS: I was born in San Diego, grew up in San Diego, went to school in San Diego, started college in San Diego, went one semester when I quit to enlist in the air force.

Air Force Experience in World War II

REINIER: Now, your air force experience, I think, is also

very interesting. Do you think it also was important in your candidacy?

BETTS: I think so. As I said a minute ago, I think that that matured our generation. Therefore, even though my age was thirty-five, I think practically speaking I was older than that.

REINIER: Tell us a little bit about your World War II experience.

BETTS: Well, I was in college, as I said, at San Diego State College at that time, rather than what it's now called, as a university [California State University, San Diego]. War broke out on December 7, 1941. I went through the semester and when the semester was over, I went down to enlist in the army air force. At that time there was not an air force, it was a part of the army. The physical was my undoing. They told me that I had a double hernia, of which I did not have the slightest idea. If I wanted to fly airplanes, I'd have to get it fixed on my own. So I did that and in July went back and they accepted me at that time. So, I was in the air force. I went through the training command for pilot school, all of it on the west coast. I went to Santa Ana, Hemet, Lancaster and Fort Sumner, New Mexico, and got my wings from Fort

Sumner, New Mexico. I then was sent to three or four different bases very rapidly, and within three months time I was on my way overseas. We picked up an airplane, a B-24 bomber, at Hamilton Field. We flew some slow timing of the engines and other things to test the gas consumption, how the airplane worked, before we took it overseas.

And an interesting thing there is that I was living in San Diego, never thinking I would ever be in Sacramento. Two nights in a row we landed in Sacramento because there was no place to land in the Bay Area, it was fogged in. So I might have had a little thought then that Sacramento might be a part of my future, but I didn't at that time.

We then flew the southern route to fly the airplane over to England. I had thirty combat missions in England flying over enemy occupied territory. The last two missions I flew were on D-Day which was June 6, 1944. The reason there were two at that time was because obviously everything was go for the invasion. We got up before midnight the night before and I got back around midnight on the second mission. At that point we thought, well, the thirty missions,

BETTS: our tour, was over. But the colonel said that because of the invasion, the tour cap, or the amount of missions you had to fly, was thrown out the window. He would see what happened. Luckily he was a good commanding officer. We flew around in England on weather ships and formation airplanes flying to bring the large formation into being, until July 15, I think it was, when they decided the invasion was going well enough that they could let the experienced crews go. I then came home and that's pretty well it. It was a very exciting part of my life. As they say, you wouldn't take anything for the experience, but you wouldn't want to do it again.

REINIER: You received medals, didn't you, for your participation in World War II?

BETTS: Yes, I received the distinguished flying cross and five air medals.

REINIER: What did they mean, what did that indicate?

BETTS: It indicated that you were able to complete your missions, which was not too common, and that therefore, you had done things which they considered important.

REINIER: So, do you think World War II was important in formulating your point of view?

BETTS: Yes. I think it was very important. I think some of my thoughts now and feelings are definitely due to World War II. I feel that it has influenced me particularly in my reaction and my feeling toward the defense of our country.

II. ENTERING DEMOCRATIC POLITICS, 1958

REINIER: Another factor that we might mention that was important in your candidacy was that you were a CPA.

BETTS: Yes, I think that was the thing that really made me think of getting into politics on the state level. As I said, the Republican party seemed to be in disarray. That was the time of the [William F.] Knowland-[Goodwin J.] Knight problem. I thought that the controller's office and the treasurer's office, and I still feel this way, should be occupied by someone with a financial background. I know that this is not the case, and it hasn't been, but I've tried talking on that subject for many, many years, and I think some day it will come to pass. I had my own accounting practice at that time. I was also teaching accounting and taxes and felt that I did have a background in what was needed

for state service. So when I heard that this was happening and I'd served on the school board--I really was a not a politician, I had gotten into politics on the local level on the Lemon Grove school board, a small school district in the eastern part of San Diego County. Then during that time I had also been elected to the county Democratic central committee. So what happened in my thinking at that time I couldn't really tell you, but when I heard of this problem the Republicans were having, I figured my background would suit me very well for this, even though I realized at the time that I would have to give up my accounting practice, which was certainly growing well at that time. I thought this was the thing I would try in regard to the qualifications for the office. At that time the attorney general must be an attorney. In the early days that was not a requirement. I feel the same way on the financial offices and fiscal offices, that they should have the requirement of the financial background.

Becoming Known Statewide

So, to get into how it developed from there, I did have my accounting practice in such

BETTS: a condition at that time, that I could be away from it quite a bit except during obviously the tax season. So I contacted the chairman of the county Democratic central committee who was a friend of mine. I said, "How would you like to help me get acquainted with the people in the Democratic party on the statewide level?" He agreed. I explained to him my thoughts and that I'd probably like to run for controller, not treasurer, and told him why. He said, "Fine." He happened to be a publisher of a small newspaper in San Diego County. He said he would be happy to go with me to these meetings, introduce me to the people in the Democratic state central committee and people in the California Democratic Council and various other political people around the state. Believe me, I knew no one in the Democratic party outside of San Diego at that time. This was in 1957; the election was in '58. So we started a very well-organized and thought-out program of my getting acquainted with the people in the party.

The California Democratic Council at that time was made up of people, many of whom were not as liberal as the California Democratic Council became later. It was well known that

BETTS: this was a very influential group. Alan Cranston had been their president. It was pretty well accepted by myself that I had to have their endorsement if I was going to get the nomination. As time went on it developed that everybody pretty much agreed that whomever got that nomination was going to be probably unopposed, at least would have the support of the grass roots Democratic party which the CDC [California Democratic Council] at that time pretty well represented. It was a very good organization at that time.

So, our first effort was the general thing of meeting all the people which we did by taking at least a trip a month to various places where meetings were going on. We had to then center in on where we went from there. The first thing to come up was the CDC convention. So obviously we attended a number of local CDC meetings to get acquainted with the local people and try to get their interest and convince them that we need to balance the state geographically and a financial background was what was needed in these offices.

Switch from Controller to Treasurer

Of course, by this time I had switched and

BETTS: was going to run for treasurer. This came about because Alan Cranston originally was wanting to go for the U.S. Senate. All of a sudden, Clair Engle was also going for the senate. I don't know the details of what happened there, but I do know that Clair Engle was the one going for the endorsement of the senate. Alan Cranston said he was going to run for controller. Bert Betts then said, "He is president of this group [California Democratic Council] and I need the endorsement of the statewide president. He is going for the same thing I am, this is ridiculous." You know, you have to be practical in politics. I also felt that the treasurer's office as well as the controller's needed a financial background. So I said, "Fine Alan, I will run for the treasurer and try to get the endorsement for the treasurer's office."

So we made all these local meetings, and I mean we made a lot of them. I was learning about politics from the grass roots level, which, of course, is where it should be, in my opinion.

Obtaining the Endorsement of the California
Democratic Council

Then when the convention time came up, as

it turned out, Clair Engle defeated some of the other candidates and got the endorsement. Alan Cranston had no problem getting the endorsement of the group that he'd been president of.

Stanley Mosk got the attorney general's endorsement. I got the treasurer's endorsement. And a fellow named [Henry] Lopez got the endorsement for secretary of state.

REINIER: So in 1958, if you wanted to enter Democratic politics, the path was through CDC.

BETTS: Absolutely. There is no question about it. I think everybody realized that. There was this probably unstated thought, although it could even have been stated, that if you did not get the endorsement, those who were trying for the endorsement would not oppose the one who got the endorsement. In my case it was the most heated and lengthy part of the convention because it took, I think it was four ballots. I was second or third on the first ballot. They slowly eliminated the bottom person on it. There were four of us seeking the endorsement of the CDC. And as it came out, I ended up getting the endorsement on the third or fourth ballot. So I learned politics real quick. But I still would say that I am not really a politician. I

enjoyed it and everything, but I am not the typical politician. I am probably the financial type person.

REINIER: We will probe the politics a little bit more, nevertheless.

BETTS: Fine.

REINIER: Did you know [Governor Edmund G.] Pat Brown [Sr.] before you sought the endorsement?

BETTS: Well, I knew him after this other gentleman and myself started making the rounds. But, no, I had never met Pat Brown, Alan Cranston, Stanley Mosk. Glenn [M.] Anderson, whom I left out, had gotten the endorsement for lieutenant governor. Glenn's a very good friend of mine. I knew none of those people nor did I know the top people in the state central committee nor the top people in the CDC. I knew none of those people. So I started really from scratch. But I did start in 1957. So I think I was at least smart enough to realize that it took some time to make the contacts. And then attend the CDC conventions around the state, the local ones, they had 'em all over the state. To get the people, the grassroots people, to know who Bert Betts was, because they didn't know him from Adam in the beginning of 1957.

REINIER: Who was the individual who was helping you out?

BETTS: He was the publisher of the Coronado Journal.
He went by his initials, G.K. Williams. Very,
very fine man, much, much older man than I was.
I have no idea today where he is. I would assume
that he is deceased.

REINIER: So you sought him out?

BETTS: Absolutely.

REINIER: Did you...

BETTS: He was the chairman of the central committee,
the county central committee, of which I was a
member. So, in looking at all these people on
the county central committee, he was the one to
me seemed the most logical--and he and I got
along excellently, just no personality clashes.
Entirely different people, but we got along real
well. And so he was the one I sought out to get
me started in politics.

REINIER: Did he become your mentor then?

BETTS: No, I wouldn't say, not particularly--
politically probably, at least during that
period of '57 and '58. After that I really
didn't see him too much. I mean, when I'd go
to San Diego, I might have lunch with him or
something. He had his paper to run and I was in
Sacramento. It was not a friendship that you

would go to visit and so on, those kinds of things, yet we were very close during these two years. I had great respect for him. Politically he was very, very good.

Controllor Alan Cranston

REINIER: Well, you began to work with some men who then went on to very distinguished careers. Could you tell us a little bit about Alan Cranston? What was he like in 1958?

BETTS: I think Alan Cranston in 1958 was probably just like he is right now. Alan is a very, very good politician. Politics is Alan Cranston. Talk to him and that's his life, and it was his life then. He philosophically was far more liberal than I was at that time and still is, I'm sure. But regardless of that, I have no problem with that because you need a spectrum in the parties and different viewpoints. With Alan I would say, absolutely, politics came number one. I would run into Alan campaigning in that 1957 and '58 period. It's unbelievable the way they took care of their political responsibilities. If he met someone (we did this too, but not to the extent that he did, he's a great politician!) there would be a letter to the person he had met within two days. I mean with this man, they did

it the way it was supposed to be done. I watched their operation and tried to emulate that to some extent, because he did know what he was doing politically, no doubt about it.

REINIER: Now, he was a founder and I believe president of CDC at that point.

BETTS: No. He was the founder and president, but he was not president at the time of the convention. In other words, I think he'd have had a real conflict of interest if he'd continued as president. I don't know whether his term ran out or whether he resigned, but at any rate he was not the president at that time, he was a former president.

REINIER: And he had a newspaper background, is that right?

BETTS: Yes. He had a reporter's background. I don't know too much about that. He did come from over on the peninsula [Los Altos]. I understand that he had no real money problems at that time either, so he could really devote his time to being elected to the controller's job.

REINIER: And he was about ten years older than you?

BETTS: Yes. I think he is just ten years older.

Attorney General Stanley Mosk

REINIER: Now, Stanley Mosk was another interesting

individual that you ran [on the Democratic ticket] with then.

BETTS: Right. Stanley was a very, very fine man. He's still on the state supreme court. Again, he was obviously, as I've said, more liberal than I was. In fact, to clear this point, I was probably, well I was, the most conservative person on the ticket. I don't think there's any question about that. I think that one of the reasons it took three to four ballots at the CDC [convention] is that some of my thinking even at that time was not necessarily in agreement with their thinking. But I think that we had enough on the asset side to obviously get the delegates.

Stanley Mosk, I think, probably had the most experience in government, because he had been a secretary to Culbert [L.] Olson when Culbert Olson was governor. He had been there before. He knew exactly what he needed to do and wanted to do, and he got it done in a very efficient manner. I have great respect for Stan Mosk also as well as Alan.

Lieutenant Governor Glenn M. Anderson

REINIER: And you mentioned Glenn Anderson.

BETTS: I became closer to Glenn Anderson than the

others really. Glenn is in congress to this day, representing his home district down in southern California. Glenn, well, I guess he had as much or more experience really than Stan Mosk. Glenn had been in the assembly, been an assemblyman. He was one who kept his local affiliation up very well, and that's why, I think, he was able to go back two years after we were defeated and run for congress with a big crowd running and win. And he's been reelected ever since. But Glenn and I were very close. I would go to Glenn's office frequently and he'd come down and see me. He had people working for him that I was close to also, so that we had a very close relationship between Glenn Anderson and myself.

Governor Edmund G. Brown, Sr.

REINIER: What were your impressions of Pat Brown when you first met him?

BETTS: Pat Brown, I thought then and I still think today, is a person that you cannot dislike. He is very personable, he does not want to hurt anybody's feelings. I think he's obviously a good administrator. He was district attorney in San Francisco and attorney general of the state of California before he became governor. Pat

and I disagreed on some things during his eight years, but that's the advantage of having an elective office [treasurer]. I could state my views and he could state his. But as a person Pat Brown is a very, very fine individual and to this day I still say that. He possibly bends over backwards a little too much to want to be liked. If he had a fault, that would probably be it. He just wanted everybody to like him, which is a good thing.

Comparison of Controller and Treasurer

REINIER: I think it's very interesting that you originally wanted to run for controller rather than treasurer. Why was that office more attractive to you?

BETTS: I think the office was more attractive to me simply because it had at that time more prestige. The treasurer's office was really in the doldrums. They had had a man in the treasurer's office who was first elected the year I was born [1923]. He had been there until two years previous to that. He and Governor [Goodwin J.] Knight had a falling out and he left in 1956.

REINIER: That was Charles [G.] or "Gus" Johnson.

BETTS: Right. I did not know him, I never met the man.

I did meet his widow. She was not happy about the way he was being remembered, right or wrong, and I don't know. But, that was one of the problems with the treasurer's office.¹

Now, if I had looked at it probably in a different light, I could have said to myself, "Well, here's an office that really needs some help." And so maybe I would have thought differently.

But the controller's office also, not only from the financial and fiscal point of view, in which they had some things going for them that the treasurer's office didn't, the controller's office had patronage. The treasurer's office had absolutely none. I appointed two people, an assistant treasurer and a deputy treasurer. The controller's office had appraisers, inheritance tax appraisers, later they became inheritance tax referees. He had those in every county of the state. They would have an office in every area of the state on which the controller's name also appeared on the door because they were a

¹Charles G. Johnson died in office October 31, 1956. At that time it was rumored that he was in conflict with Governor Goodwin J. Knight because he "was accused of mixing his own personal finances with his official activities." San Francisco Chronicle, December 28, 1958, 10:7.

BETTS: part of the controller's office. Now politically, even though I was very naive in politics, possibly, I could see the advantage of this in future elections. It would be nice to have your name in every city and community and town practically in the state of California.

So, I think all of those things, and in addition, there's one other thing that probably had more to do with it than anything. That was that in my mind the duties of the controller were those of a certified public accountant. Whereas a treasurer had not necessarily grown to that stature where they required it. But the controllers were mostly, in any big firm, certified public accountants. So the name of the office sounded more in line with a certified public accountant than the treasurer's office.

REINIER: Now there was a great deal of power connected with that patronage for the controller, wasn't there?

BETTS: There certainly was. Next to the governor he had the most patronage of any of the constitutional officers. There's just no question that it was a tremendous thing and there were fights in the legislature over the years...

[End tape 1, side A]

[Begin tape 1, side B]

REINIER: We were discussing the power of the controller in the appointment of the inheritance tax appraisers. It seems to me that that would certainly provide an opportunity for campaign contributions.

BETTS: That is exactly what the patronage meant in that case. The campaign contributions from that one source alone would probably have been more than I could collect as treasurer for my entire campaign. Yes, the inheritance tax appraisers did furnish a good possibility for a supply of campaign funds for the controller.

REINIER: Making the controller a very powerful figure then.

BETTS: The controller was extremely powerful with those appointments.

REINIER: Is that still the case with the controller's office?

BETTS: To my knowledge, that is not the case. It has been eliminated, although there are still inheritance tax referees. I'm just not sure since I left office how it's handled. But I think as a source of campaign funds for the controller that that has been eliminated. This

went through the legislature many, many times over the past thirty years, what do we do about it. Probably the last forty years.

REINIER: And the change was made after you left office?

BETTS: Yes.

III. DEMOCRATIC VICTORY IN 1958

Senator William F. Knowland-Governor Goodwin

J. Knight Controversy

REINIER: This was quite an interesting election in 1958. And, of course, it was a Democratic victory after so many years of Republican dominance in the state of California and two Republican governorships of Earl Warren and Goodwin Knight. To what do you attribute the Democratic victory in 1958?

BETTS: I think the biggest reason for the Democratic victory--and I don't like to say we didn't have good candidates because I was a candidate. I think we did have excellent candidates. But I think the real reason was the Republican intra-party fighting. Knowland coming out and wanting to go from senate to governor, therefore switching Knight, who we know did not want to do it, from governor to running for the senate. So that this left a wide open field, really. The

people, I think, were a little tired of the switching. The theory then or what was being stated was that here's Senator Knowland coming out and forcing Goodwin Knight out of the governorship. I think this had a tremendous amount to do with our being able to get in. Again, I'd like to say that I think we had good candidates. Whether we could have won if Governor Knight had been running at the top of the ticket, we'll never know.

REINIER: There are a couple of factors in that that are important. Didn't Knowland hope to fight it out in the primaries against Knight? Wasn't Knight influenced in his decision to run for senator by [President Dwight D.] Eisenhower and [Vice President] Richard [M.] Nixon? Is that correct?

BETTS: That I don't know. You're talking about the Republican party at this point and I was not privy to their conversations. I have no idea.

REINIER: Another very important factor...

BETTS: Let me just say I didn't mean to impugn Senator Knowland for this. I mean he had every right to do what he wanted to do. I'm just saying what I read was the problem in the Republican party. Knowing what was actually the problem I had no way to find out.

Role of Organized Labor

REINIER: Now, an issue that was important in that campaign also was Proposition 18 or the right-to-work proposition that Senator Knowland was sponsoring. Do you think that organized labor was an important factor in the Democratic victory?

BETTS: Extremely important. I think labor in that campaign was probably more important than they had been for years and years and years. Because it did sort of mobilize and get the labor forces so they weren't fighting among themselves. They could come out and say, "We don't want Mr. Knowland." Yes.

REINIER: And didn't the AFL-CIO [American Federation of Labor-Congress of Industrial Organizations] organize a voter registration drive?

BETTS: I'm sure they did. Twenty-eight years ago I'm not sure I remember everything. But yes, they were very active as was the CDC in registration and grass roots type of things. Yes, labor certainly was brought into the Democratic party on a unified basis in that 1958 election.

REINIER: The Democrats were out, and do you think the Democratic party was able to pull together as a unit in order to gain office?

California Democratic Council

BETTS: I think when you're on the outside looking in, it's much easier to be unified. They all had the one thought in mind, to get on the inside. Yes, the whole thing, the party unified, and Alan Cranston's organization, the California Democratic Council, was seen as the thing, the vehicle by which they could continue to unify and not have primary fights. Whether this is right or wrong in our democratic way of life, not having primary fights, I don't know, but it certainly solved the problem in that year. I don't know that you could do it in a year where you were on the inside because somebody else is always wanting to knock you off as an incumbent. But at that point it worked extremely well, and all of the things were in our favor.

REINIER: And it was an interesting point in California history, because it really was a return to partisanship.

BETTS: Right. I think they've now returned to too much partisanship, as you can tell by the daily fights in the state legislature, and also in Washington. Although I think possibly on the state level partisanship is more acceptable than on the national level in foreign policy.

REINIER: So, a very interesting election. Now, didn't you win the treasurer's office narrowly, by about one hundred thousand votes...

BETTS: Yes.

REINIER: Is that correct?

BETTS: That's correct. In fact it was right down to the last little bit. I think we had some three million votes or something like that, but, it was a close election. So actually I was fortunate and very likely would not have been able to win without the top of the ticket winning.

REINIER: And all of the ticket was elected except secretary of state.

Republican Secretary of State Frank M. Jordan

BETTS: Right. The secretary of state's office had been held by Frank [M.] Jordan and his father [Frank C. Jordan] for many, many, many years. He was the only Republican reelected in 1958, or elected, because the rest of us were all elected for the first time.

REINIER: Could you comment on Frank Jordan?

BETTS: Yes. Frank Jordan and I became very close during my eight years in the capitol. I could go out my side door, walk across the hallway, and I could go in his private door, enter his

private office. So we had many discussions. He was a very, very gentlemanly man, very nice man and certainly understood the secretary of state's office better than I think anyone at that time could possibly have done it. There's been a lot of criticism that his father was there for many years and then he was there for many years. But I found that not to be a problem, in that he knew what he was doing. He did the job and I have nothing but praise for Frank Jordan.

REINIER: So, even though he was a Republican you found it...

BETTS: I found it...

REINIER: ...easy to work with him?

BETTS: Very easy to work with him, very fine man. In fact, he and I got along so well that, I don't remember whether it was the '62 or the '66 reelection campaign, he actually endorsed me on tape at some meeting he was at, which, of course, is very difficult to do under those circumstances because the rest of the party doesn't appreciate it.

IV. THE TREASURER'S OFFICE

Treasurer Charles G. Johnson, 1923-1956

REINIER: Now, we were talking before about the treasurer's office when you were elected to it, and how it really had been depleted by the legislature because of the controversies over Treasurer Johnson, the previous treasurer from 1923 to 1956.

BETTS: It was 1923 because that was my year of birth, and that was the year he took office, which is sort of ironic that I would come in two years later and replace the man who had been there since I was born.

REINIER: Now, was Johnson accused of mixing his personal funds with state funds?

BETTS: I don't really know whether that was one of the accusations. The main thing that I heard--and, of course, that would not have been a problem for me to solve or for the man who preceded me, A. Ronald Button, who was appointed by Governor Knight for those two years, to have solved. The problem was that the monies deposited in banks were not drawing sufficient interest. Many of them were in the equivalent of what we call checking accounts, we call them the active accounts in the treasurer's office. Therefore, they were not drawing any interest. The banks were benefiting considerably from this type of

thing and the state and the people of California were suffering from it. This was the major problem, I think, that we would have to try to rectify that Johnson created. At least he did not seem to have the money invested in what would have been called prudent investments at that time. Now I guess you have to give him a little bit to his credit here, in that he went in in 1923. Things were much different in 1923 and it appears that he just failed to keep up with the times on good treasury management and investment procedures.

REINIER: Were there some banks that Johnson particularly favored for these deposits of state monies?

BETTS: That I don't know.

REINIER: What about Bank of America?

BETTS: I do not know whether the banks--as I say, the man that would have had that information would probably have been the man that preceded me. He was there two years and I'm sure that he was trying very hard to get the office back into a better earning capacity on the interest on the monies, so that all of the money was earning rather than just a small portion of it. Because if you do your investments properly, you can keep it pretty well invested day by day and

therefore earning interest on it day by day. I would say that that part of it by the time I got there in 1959 was pretty well cleared up. As far as what banks he had favored if he did, I did not go into that. My main concern was to try to earn as much money as we could in the investment program, keep all of the money invested one way or the other for the highest yield we could get. Then, of course, we had other problems. The work in the office, for instance, had not been modernized. There were many things that needed to be brought up current.

REINIER: We'll talk about that in just a minute, but to go back to Johnson, Johnson was investigated by a legislative committee.

BETTS: I'm sure that's right.

REINIER: And then A. Ronald Button was appointed by Governor Knight. So was Johnson fired?¹

BETTS: It is my understanding that he resigned.

REINIER: He resigned.

BETTS: The governor [Goodwin J. Knight] and Johnson, according to anything I heard, did not get along at this time because the governor did not feel

¹Obviously an independently elected official cannot be fired by the governor. Charles G. Johnson died in office on October 31, 1956.

that the office was being run properly. So Johnson resigned which left the opening. Therefore, the governor had to appoint somebody.

Treasurer A. Ronald Button, 1956-1958

He appointed A. Ronald Button who was not a CPA or anything like that, but he did have a tremendous background in business, and that sort of thing. He had been used to running a business or making sure it was run in the most effective manner possible. I think he did everything he could in two years. You have to realize that in two years he really didn't have an opportunity to clean it up completely. There were many things that needed to be done when I got there.

REINIER: To fill in a little bit of background, what did Button do to correct the situation that Johnson had left?

BETTS: Well, they had a Pooled Money Investment Board. Again, I don't know for sure, but this Pooled Money Investment Board was created during that period, or right in that time frame. This was something which we kept having to fine tune as the years went on, but at least the idea was right, that you had someone looking at all of the monies that were available from different

sources in the state. Eventually this became the place from which all of the funds of the state were invested, other than the retirement funds, which were invested by a different board. They had the Public Employees Retirement System board and the Teachers' Retirement System, those were separate. But we invested all the funds. I think he worked on getting this, and working out a formula by which the banks could be compensated for the actual work they did, rather than by writing them a check for their services. They would keep so much money in the bank based on the number of warrants that they cashed, the number of deposits and so on. It was a very complicated formula. This was still in its very rough stages when I got there, but this was one of the things, I think, that he could see the need for. And this board was established; whether he established it I don't know. Other than that I don't know what he did, because we found things that were very outdated in the operation of the office. As I say, in two years I don't know whether he had a fair chance or not. I wouldn't want to grade him on what he did.

Pooled Money Investment Board

REINIER: Who sat on the Pooled Money Investment Board?

BETTS: The treasurer, the controller and the director of finance. Of course, the treasurer, and the controller are elected independently. The director of finance, therefore, represented the governor in effect.

REINIER: So those were the individuals who really made the decisions on state investments?

BETTS: Yes, in effect. Now what it finally came down to though was that the treasurer, who is the one in whose office the investments were made--I don't know what it was before I got there, but after I got there, we would make the recommendations to the committee. Basically the committee was a stamp of approval, they went along with it. Obviously if they didn't like something about what we presented them, the papers from our staff working up what funds were available and how long and what we were going to invest it in and that sort of thing, they could speak up and say so. But it really became a treasurer's operation.

REINIER: Who was on the committee?

BETTS: The individuals you mean? The committee was the controller, treasurer...

REINIER: I see. When you talk about the committee you're

talking about those three?

BETTS: Those three, right. Each of them obviously brought a staff member with them from their office. We had a number of people that would attend those meetings because it was our office that prepared all of the papers for the meetings. We showed what we had done in the past period of time with the investments. Now you look at the amount of interest that was being earned in those days and it seems ridiculous. But, in those days we were able to bring it up and get a very good rate of interest. We earned, I think it was, \$58 million in our investment program the last year I was in office. The year before I took office I think it was only around \$13 million or \$15 million. So we actually quadrupled the investment earnings pretty much in that eight year period.

V. CREATING A MORE COMPETITIVE INVESTMENT PROGRAM

Compensating Balances

BETTS: Our staff, the treasurer's staff, would meet in the late afternoon of every day and estimate what we expected to come in the next day or two in the way of warrants that would clear the

treasurer's office. We'd need to know the amount of money in the banks as well as what we could expect in receipts, which we would be able to put into those banks. This was an end of the day sort of thing. Then we could get that money invested based on these estimates. Now, originally, the investments were made on so much surplus, we have so much surplus we'll make investments based on that. What we were able to accomplish was to say, "Let's do it on an average basis." So that if our staff the afternoon before doesn't expect \$30 million in warrants to come in the next day--therefore our balance in the bank went way down--we don't want to have to keep enough money in there to worry about an overdraft, or something like that. So the next day we would arrange so that we would have that \$30 million added to the monies the bank had. We worked on a moving average basis, which, of course, meant that you could keep all of the funds invested all of the time. This was far superior to saying that we'll invest the surplus funds, because then you had to worry about, in layman's language, whether you'd have an overdraft if a lot of warrants came in you didn't anticipate. This way there was no

BETTS: problem. It was just that you compensated them with average balances kept on deposit for which they did not pay interest. The formula had about six to ten items, what the individual banks did for the state based on actual figures, computations, so that those compensations were kept at a minimum for the purpose of benefiting the earnings of the state and thus, the people of California.

REINIER: Now, what banks were you dealing with? How many banks were you depositing state funds in?

BETTS: I can't actually tell you how many, I don't remember.

I think to preface it I should say that we had another type of deposit. These compensating balances that I just talked about were in just a few banks. At that point I think Bank of America was one of them. I don't remember who they were, but there were a few banks, and they did not like the formula. They didn't like any part of this. In fact, once a year we would sit down and renegotiate the formula, in other words allowing them additional or less for a warrant redeemed or for a deposit made. Just like the banks tell you they figure out what your checking account is costing them. The only

thing is, we didn't accept their figures. They would tell us, and we'd say, "Fine, somebody else would be happy to have it if you don't want it." So it was a very intense negotiation every year to try to get a fair formula. The banks were entitled to a profit for handling it for the state, but again what's fair. I think we reduced the percentages for their compensating balance considerably while we were there. They still were making money, enough that they were happy to do it.

Negotiated Time Deposits

Now, there is a second type of deposit in which probably there were a hundred or more banks involved. This was where we would negotiate with the individual bank as to how much would it be willing to pay us for the equivalent of a time deposit. Not active, we weren't going to write checks on it. It would sit there and they had to realize that this was backed up, they had to back it up with collateral in our safe or someplace we knew where the collateral was, in an amount equal to 110 percent of the deposit. Of course, they didn't like this either. I would say it was a hundred banks or more that we had that money in,

BETTS: and these negotiations went on all the time. You were constantly having banks with deposits up for renewal. They would have a deposit for X number of months and then that was running out, it had to be renewed or deposited elsewhere. It was just like if you went to the bank and got a certificate of deposit. So we were negotiating, and if we would have a \$5 million deposit in the XYZ bank that was coming up for renewal, we would go first to them and say, "What are you willing to pay for the renewal for the next number of months?" I forget the number of months we normally did it for. Then if they did not come up with a figure which was, in our opinion, a fair figure--in fact, even if they did, I would say that in most, probably all cases--we would call some other bank who had called us, because we were constantly having banks call, and say, "We'd like more money in more of your time deposits." So we would get on the phone with them and say, "We have \$5 million coming up for renewal on January 31st. What are you willing to pay us for it?" They also knew the maturity, they knew the collateral requirement, etc. So in effect, we were getting the highest price we could in the way of

BETTS: interest earnings for the state of California. The obvious thing was if the one that had the deposit was willing to pay as much or more than the other one, we would, in almost all cases, renew it with that particular bank, because that seemed only fair. We got some banks that were willing to pay us much more than the others. So, therefore, it built up.

I was criticized for this sometimes by people who didn't understand it. "Why do you have more money in this bank than you have in this bank?" The answer is very simple; they were willing to pay a higher rate of interest to get it. With the collateral we had no problems with security, I mean, we weren't going to lose it if the bank went bad. So, it was very difficult to convince people of this. They were still, I think, skittish over Johnson's days in office. But I could show them where we got the highest rate and we took it. So if somebody wanted to pay that, fine. Also it was not necessarily making me popular with the banks, because they don't want to pay the highest, they want to pay the lowest they can pay and get it. So in effect we were putting competition into the investment program at that point. This makes it

difficult for political office, to make people mad all the time, but this is what we had to do.

REINIER: So if funds were shifting from one bank to another, this was the process...

BETTS: Yes, the process was notifying the bank that had the renewal coming up. If they wouldn't meet what we could get from another bank, we would take it away and deposit it in the other bank when the time came for renewal, absolutely.

REINIER: How did banks bid to get state funds? What was that process?

BETTS: Well, to get state funds on this there wasn't a bid as such. This was strictly negotiating, as I mentioned, that we would tell the bank that had the renewal coming up. Now these were on time deposits, I want this clear. No compensating balances. Our earnings were based on what they were willing to pay, what interest rate are you willing to pay? If it came up for renewal, we would call them, find out what they were willing to pay, check with other banks. We had a list of banks that wanted more money but we couldn't give it to them unless there were banks that were renewing. Of course, we had them renewing every few days, or every day. So we would then call one of the banks that had

inquired and wanted more money and say, "What are you willing to pay for it?" I don't remember the specifics, but I think at that point we would then say to the one that had the renewal, "We can get 4.5 percent. You only said 4. Are you willing to pay the 4.5?" In some cases they would say yes, but in a lot of cases they would say no. I think it was a matter of business practice with them. They weren't going to let us dictate to them what they would pay. They felt they could pay 4 percent, we could get 4.5 in effect. They generally would not increase it, so we would go to the other bank. Very simple, but it was very hard to describe to the press, the public and everyone else. They just couldn't get it through their head that all of the time deposits were put out on the best interest rate available.

REINIER: And the "we"--is that the Pooled Money Investment Board that is making these decisions? Or that was really your decision.

BETTS: No, I would say this is the treasurer's office, myself actually.

REINIER: So that was an important responsibility.

Deputy Treasurer Richard C. Munden

BETTS: Yes, I had a deputy who was also a CPA. As I

said I had two appointments, one was the deputy and one was the assistant. My deputy had been a partner of mine in San Diego County in an accounting firm. I had brought him up about seven months after I went into office. He stayed the entire balance of the eight years with me. We still talk to each other all the time on the phone.

[End Tape 1, side B]

[Session 2, July 21, 1987]

[Begin Tape 2, Side A]

REINIER: We were talking about your deputy previously, what was his name?

BETTS: Richard C. Munden. He was a certified public accountant. He had been a partner of mine in San Diego in a public accounting firm. He came to work for me in San Diego before he had his certificate. He stayed on and got his certificate and then eventually became a partner in the public accounting firm after which he went to an industrial firm as controller. So when I came to Sacramento, he was no longer in my firm. But I was a very close friend with him and kept in close touch. After seven months in Sacramento I realized that I needed someone in the deputy's position who had the qualifications that he had. And we were able to work very closely together. So I called him and he said he'd be happy to come up even though he recognized that it would possibly be only a three-year, five-month job depending on the 1962 election results. So he came up and we worked very closely together. His office was on the

side of the hall in the treasurer's office where the technicians and other people generally worked. He actually ran the day-to-day operations keeping in touch with the employees, having them report to him. In other words, I delegated so that I didn't have everybody with a title reporting to me. He and I would meet usually during the day once or twice.

And then about five o'clock we would get together when we could sit down and really go over the things that had happened in the office. Go over the projections for the investment procedures that had been worked out by the technicians, where we stood for the next day or two. In fact, the projections would be made for weeks and months ahead. But it was always the next day or two, what we were going to do with the money, because you did want to keep the money and we did invest it on a day-to-day basis. We would get together at five o'clock. We did not have one of those jobs where we quit at four-thirty or five o'clock. It was six and after usually.

REINIER: So the two of you worked late into the night making decisions about the deposits and the investments.

BETTS: Very often we did, yes.

REINIER: Did you then report your activities to the Pooled Money Investment Board?

BETTS: No, not on a daily or weekly basis or on an oral basis at all. The treasurer was charged with the responsibility of making the investments for practically all of the state funds. But we did not have the teacher's retirement nor the Public Employees Retirement System investments. But we had everything else. The reporting job was done, I think it was on a monthly basis, on a written basis with sort of a summary to the other two members of the Pooled Money Investment Board who were the controller and the director of finance. That was our reporting. Then we would have meetings to project what we anticipated the amounts available would be and what we would do with them, things like that. The treasurer would make recommendations to the Pooled Money Investment Board which in turn ratified the treasurer's actions of the past month.

REINIER: And they generally approved?

BETTS: Yes, we had no problem with that at all.

VI. CREATING COMPETITION IN BOND SALES

Previous Situation in Bond Sales

REINIER: Now another very important area when you were treasurer was the area of selling California bonds, because those increased dramatically under Pat Brown's administration.

BETTS: Yes, they certainly did. I think I can give you a pretty good picture of what happened because that was my main concern. As important as investments were and the fact that the press had made so much out of that with Mr. Johnson's problems in office, the earnings in the investment program were very small by comparison with what could be saved in the bond sale program. That's not to say that the investment program was not very, very important.

The bond sales in 1956 were \$100 million or less as I remember it. There had been very few sales in volume prior to that. They were mostly veterans' bonds and the bids usually came from two different underwriting syndicates, one headed by Bank of America and one headed by Bankers' Trust of New York. The fact that the state had competitive bids at that time also showed me that we had lower interest costs than the Bond Buyer index at any given time which made it seem to me rather obvious that we needed

to have competitive bids. Keeping in mind also that volume increase was difficult to control. If you didn't control the volume of bonds, you then had to increase the demand some other way so that your costs didn't go too high. In 1957 and '58 they had nine bond sales. They were then selling the school building construction bonds as well as the veterans' bonds. This was before my arrival there. The volume was increasing to the extent that all of a sudden they had, for that period, one bid, no competition. All of the sales in that period were above the Bond Buyer index except one, which I think was exactly equal to the index.

REINIER: Would you explain the Bond Buyer index just briefly?

BETTS: Yes, the Bond Buyer index was an index put out by the publication called Bond Buyer. It was based on sales of X number of bond issues that had recently been sold. It would be equivalent to the Dow Jones in the stock market. So that you had something to measure your interest costs against what the average was running.

REINIER: And according to that measure you didn't think that the state was doing very well. Is that right?

BETTS: That's right. I thought the state was doing poorly and one of the reasons was lack of competition. The syndicate's explanation for that was that with the volume of bonds that the state of California was selling it was essential that they have the underwriting strength of all of the firms in the country, rather than just approximately half as it was when they had the two syndicates bidding. They certainly had a good argument in that there were a lot of bonds being sold by the state of California and it looked like there would be more.

REINIER: To what syndicate are you referring?

BETTS: The syndicate was headed by the Bank of America after they merged. Prior to the merger when they had two bids, one was headed by Bankers' Trust and one by Bank of America. It was not an eastern syndicate and a western syndicate. Both syndicates had firms from all over the country. So that if either syndicate won, it was pretty obvious that they still could get a distribution for California bonds throughout the United States.

REINIER: So, Bank of America really had a monopoly then on the selling of California bonds?

BETTS: That was the word that I liked to use. I don't

think Bank of America appreciated it, because they felt that they were doing something for the state of California. In the early days, back in Mr. [A.P.] Giannini's days, they had said that they would always bid on California bonds. That was one of their statements, they were truly California, and would always see that California had a bid. So they had many good arguments. But no matter how you cut it, it came out that it was a monopoly, there was no competition. And as we checked many, many times over the eight years, they always had a market. When they had no competition, they sold the bonds out very rapidly in almost all the cases, which means that all of the underwriters are making a good profit on it and Bank of America is making a better profit.

REINIER: So when you were the treasurer, it was your job to sell the bonds. How did you seek to change the situation?

Removing the Ninety-Day Clause

BETTS: Well, first of all, I came up to my first sale date in March of 1959, and spoke out obviously against no competition, tried to convince the people in the financial community that it would be nice if we had two bids. In March, 1959, on

the date that we opened for bids for \$100 million of bonds it was obvious that we didn't have competition. We had one bid and we were way over the Bond Buyer index by about the same amount as the December '58 sale before I arrived. So that we had made no headway in that first three months.

Then in June [1959] we sold another \$100 million. This time we were selling veterans' and school building construction bonds basically. In June we sold, as I say, another \$100 million, and we paid 30 points above the Bond Buyer index. No competition obviously, which was very discouraging. It was really costing tens of millions of dollars extra interest over what it'd been if we'd been at the index level. So for the first time in the history of California bond sales, or at least so I was told, I did not award the bonds at that time, at the ten o'clock meeting. I postponed that decision. As I remember it, we gave it an awful lot of thought. When it came right down to it, we were in no position to reject the bids, because we had so many bonds piling up waiting to be sold. So after two hours we did accept the bid of the one syndicate, although we

BETTS: didn't do it very willingly.

Then we came to the September sale. As you notice, it's every ninety days, March, June, September. There was a clause in our bond sale notice which stated that we would not come back to market within a ninety-day period. This was put there obviously for a good reason in the minds of the financial community, so that they could in effect digest all of the bonds that were in that sale, that we wouldn't come to market immediately, and thus they would not find that they had \$50 million still on the shelf waiting from the last sale to be sold. In other words, it gave them an opportunity to clear out their inventory. The only thing wrong with that is that it didn't take into consideration the problems of the state of California. It was fine from the financial community's point of view. So at that point, after the September sale--in which, by the way, we had no competition, it was a \$50 million sale and we paid over the index, the same as before--I came out with the thought that we should remove the ninety-day clause from the bond sale notice. Now, obviously, when I did these types of things, we had to go to the attorney general's

BETTS: office to get legal authorization. We also had to, didn't have to, but we went to bond counsel, which is independent bond attorneys, that stated that in their opinion that everything was legal and therefore the underwriters have no fears as to the legalities. So I went to these people. There's no problem legally to remove the notice, but there was a tremendous problem with the financial community. They opposed it very violently, very outspoken. They thought it should be in there. So what I did to them--and I'd been in office now nine months, I think they figured that by now they could trust me. We would remove the ninety-day notice, but I assured them, although I would not put it in writing, that I would not go back to market until I was convinced that the supply of bonds that was still in the market to be sold was manageable. Well, obviously, it took a lot of doing. They didn't accept it too well, but they did accept it. Whether they had any choice I'm not really sure, but we got it accomplished that way.

REINIER: So you would just keep it flexible, and you would decide when the bonds were to be sold?

BETTS: That's right. And this is what I was getting

to, the flexible bond sales program. Flexible in amount and flexible in timing. So that if the market was strong, we could go in every thirty days. If it was weak, we wouldn't go in for six months. That was the theory behind it.

REINIER: And essentially it was the treasurer's office then that made that decision?

BETTS: Oh, absolutely. No question about that. I don't think that that was discussed with anybody except basically the deputy and myself in our late evening conferences. Now they cautioned me, the underwriters, that I could be in trouble, might not get any bids, different things like that, by eliminating this ninety-day clause. All through these first couple of years I was having to make decisions and do things which if it backfired, we could be in trouble. But we had to try to get competition. In my mind that was the overriding thought that I had regarding bonds.

Competition in Bond Sales

Going back, in '56 we sold \$100 million. Then is when the big amount started, the \$300 million in '57 and in '58 \$400 million. Then we get into 1959. As I say, I sold \$250 million by September. Then there was a small sale in

October. I shouldn't say that we didn't have any competition because after I got this ninety-day notice removed from the September bond sale, I came back in October, which was just six weeks after the prior sale. We had a new bond issue which had been approved by the people. It was a harbor bond, small craft harbors we sold. It was a small amount, as I remember it was like \$60 million authorization, or something like that. So I sold \$7,500,000 six weeks after we sold the other ones. There were lots of bidders. We had seven bidders, so they broke up into many much smaller syndicates. We came up 3 points below the Bond Buyer's index. Of course, you have to ask, was it because it was \$7,500,000 or was it because we had competition? I don't know to this day, but I think it did show that if you can sell small amounts, you could get competition at this point; so my problem still was not solved as to how do I get competition for the large amounts.

REINIER: Now who was the competition coming in? Who were the new groups coming in to buy?

BETTS: They were, this is a real complicated thing which I never did understand completely. As I understood it, they have small syndicates around

the country of X number of underwriting firms which will bid together frequently. What had happened with California, this one and this one and this one would merge and that would be the Bankers' Trust. This one and this one and this one would merge and that would be the Bank of America. Then, when we got no competition, they would all merge. So that, in effect, it was a breaking apart of the Bank of America, going the opposite direction to where they went back to their usual, smaller number of underwriting firms in each syndicate. Somehow they broke it into seven of them. I don't know how it came about, but I'm sure in their various meetings, they probably met in these number of groups each time, and then with the no competition they just said, "Fine, you do it, Bank of America, and we'll take our share of the bonds." Because the bonds were distributed from the no competition sales by Bank of America on some ratio of participation, which, of course, is private enterprise and is none of our business really.

REINIER: So it was the introduction of competition that caused this breaking up into the component parts?

BETTS: Yes, for the state of California, yes, but I

think that it worked the other way in that they had the smaller syndicates for smaller issues. In other words, if the city of Sacramento was going to sell, there was a certain group of underwriters that would bid together. And there was another group of underwriters that would bid together, and another group that would bid together. Because it was a small enough issue that, in their minds, they could take this number of underwriters and distribute those bonds and get them sold out. So then, in effect, it was a matter of putting together the dominoes or taking them apart. So, that's basically what happened.

Increase in Bonds

Then looking at the problem in a larger sense, the state construction program was now coming into being. That was for building state buildings. We had the veterans, for both farm and home loans. We had the school building which was for local school districts which the state provided the money to the local district, etc. We had the state construction coming up, been approved, I don't remember how much, large amounts for that time.

REINIER: Was this university buildings?

BETTS: It would have been, yes, university, as well as other state buildings. So, we could see that here we're not getting any bids except on that little sale in October in 1959. The veterans were actually requiring more and more at that point, later it changed as I'll go into. We had the school building requiring more, and now we had the state construction coming up for the universities and other state buildings.

Veterans' Bonds

So we decided, I say we, I think this was probably myself and the director of veterans affairs, that maybe there was something we could do about reducing the volume of veterans' bonds. So we put a committee together of myself and the director of veterans affairs, and I don't remember, I think somebody from finance, the director of finance's office. And we studied this thing and studied it, and came up with the thought that revenue bonds might be the answer, because as I said earlier, the veterans' bonds have never cost the state a penny as far as actual taxpayer dollars. Now it created more of a problem with volume, but again, as far as actual dollars it never cost the state a penny. So, we figured if we could sell revenue bonds,

which would be paid for by the revenue coming into the Department of Veterans Affairs, it would take it off, as a liability, of the general fund of the state of California. In other words, the only thing backing these bonds then would be the revenues from the Veterans Farm and Home Loan Program. This was over a matter of months that we worked on this and it was about ready to go. Everybody thought that this might be a good idea. We realized that the veterans would have to pay a little bit more for a revenue bond than for a general obligation bond, because, obviously, if you don't have the backing of the entire state of California and you only have the backing of the revenues from that particular group, there's more risk. If there's more risk, you're going to pay a higher interest cost, very simple. But that was something that the veterans' people were willing to do in order to help the overall state bonding picture. I'll leave that for now, because it never came about. We never had to do it, but we were ready to do it.

We then got into the sales, which now included state construction, state university, state buildings, veterans, large quantity of

BETTS: schools, and we had a small amount in small harbor bonds. Seemed like every time you turned around somebody was putting a new bond issue before the public to get it authorized. And this is good, I don't mean to indicate that I'm against bonding. I think bonding is a very good way to do things as long as you keep it within the amounts that can be handled by the market, in other words, how much can be bought.

REINIER: Was this coming from Pat Brown's administration, the use of the bonds as a way to finance?

BETTS: No. The veterans and schools were there before Pat Brown. The state construction came along during Pat Brown's administration. The state construction also though, we were working, as I said, on the veterans to try to reduce the quantity. We were trying to get the legislature to designate tidelands oil money for construction of state buildings, which would have then reduced the burden on the state building program from bonds. So, all these things were going on at the same time. We realized we had to build state university buildings, we had to build state buildings, we had to build school buildings, we had to support the veterans program. But on each one of them

we were trying to find a solution. When I say we, I think the governor was kept apprised of what we were thinking, in order to try to keep down the bonded debt if we could.

REINIER: We should say that this was a period of tremendous growth in the state of California.

BETTS: Extremely tremendous growth. If it had continued to grow like it did during those years in the next twenty years, we would have a lot more people here than we do. That doesn't seem possible sometimes, but we would.

Working for Flexibility in Bond Sales

Anyway, getting back to the bond sales, in 1959, I had just said that we sold the \$7,500,000 which was small. It didn't really figure into our calculations of anything. So on December 10th [1959] we were going to sell \$100 million. I was told by everybody in the market that the market was in complete shambles, the municipal bond market. That we would have to pay not 25 or 30 points over the index, but we would probably have to pay 40 points over the index, which made me think this was not a good time to sell. The state of California had never cancelled a sale prior to this. In other words, if they said they were going to sell, they sold.

Getting to the flexibility program that I talked of, it seemed to me that it would be sort of ridiculous to sell into the eyes of a storm, in effect, and that's what we would have been doing. So on December 8 I cancelled the sale. Of course, that created problems again with the underwriters. They didn't like that. They like everything flowing very smoothly. The sale then, obviously, we didn't have. I'd like to say flexibility, but we didn't have much flexibility because we had these bonds piling up that had to be sold. They were out building buildings at Berkeley at the university [University of California]. I went over there a time or two and looked at the buildings and saw what our money was going for. They were building school buildings, and they had to have the money. So, I didn't have the flexibility that would have been nice to have had. We actually talked a good story and then did the best we could.

So, on January 13 [1960] I came back to market with that same \$100 million. We got no competition as usual. But we were down to 24 points over the index, which was 16 points less than the experts told me we would have had to

BETTS: pay less than just a month previous to that. And going on, on March 9 we sold another \$100 million, which was two months. So that obviously the January sale went well because we were able to go back into the market within two months and they sold those out also. Then on April 20, or thereabouts, we sold \$25 million and we were 28 points over there. Now you'll notice a pattern is developing. We're changing the times, we're changing the amounts. Trying lesser amounts now. Later I'm going to try larger amounts. We were really in a period of experimentation. California had never sold as many bonds. We had never had these problems. We had no precedent to look at, so we were trying everything we could do.

REINIER: You were making the amounts and the timing more flexible.

BETTS: Different, that's right. We were coming at different times and different amounts. So on May 24 [1960] then, just a month later, we sold another \$50 million, which means we sold January, March, April, May. And that time, whether we came too fast or whether the underwriters were mad at us, or what, I don't know, but we came up with 37 basis points, or

.37 of 1 percent over the index. So we had gone from the 28 over back up to 37 over.

This I couldn't accept. So I rejected the bids, all the bids, and that was the first time in history that that had happened. So again that didn't make the underwriters too happy because they had their syndicate, all the underwriting firms in the country, all the branch offices throughout the country ready to sell. In fact, they probably had a lot of them sold. In fact, many times I heard, I wouldn't want perhaps to prove it, but I heard that there was the word on Wall Street as to what the scale was, in other words, what was the bond interest and what was each maturity going to sell for, before we ever opened the bond bids in Sacramento. So obviously they didn't like anything that changed the normal pattern of what might happen. So we rejected that. There was also another thing...

[End tape 2, side A]

[Begin tape 2, side B]

Impact of U2 Incident on Bond Market

REINIER: You were saying there was an interesting historical event that affected the selling of bonds in 1960.

BETTS: Yes. It was our May 24th sale that I had just stated that we had rejected for the first time in history a bond bid. Obviously the reason was that the cost was too high, the interest cost. But one of the reasons that it was so high was that the day previous to this sale the U2 incident had taken place. The entire foreign policy was in question at that time in the United States. The financial community, the markets, the bond markets are very sensitive. If they feel that there is anything that might create a problem, then they're going to not sell those bonds. They have, therefore, a larger risk. And with this foreign problem having taken place the day before, obviously they didn't know what was going to happen, whether there'd be war, whether there wouldn't be war, etc. So that anytime there is that type of situation caused by anything, they add on to their interest cost some contingency. Obviously, if you were in their shoes, you'd have to do the same thing. We didn't want to pay that interest for that fear that they had that something might happen. So, as I say, we rejected the bids at that time. But it's interesting how something that far away on

planet Earth can effect our bond sales here in Sacramento.

REINIER: Yes it is.

Working for More Flexibility

BETTS: Then going on into June of 1960 when we were still trying to get all this flexibility, I decided I would sell four different bond issues on June 28th. Now this was just a month after the one we rejected, but again the international situation had toned down to some extent. The fact that we had to sell bonds, we had to have money is pretty obvious because we were selling \$50 million for veterans, \$25 million for schools, \$3 million for small harbors and another \$15 million for small harbors which was for a different purpose. The bids came in and again we had no competition on any one of the four. So my flexibility still wasn't producing results. The \$50 million veterans and the \$25 million schools we accepted, \$75 million. We then rejected the \$3 million on the small craft harbors and the \$15 million on the small craft harbors. The reason for that was that I felt, as we had found out the sale or two before, that if we sold a small amount by themselves, maybe we could get a much better, lower interest cost.

So even though we had to sell the larger ones, we held off and rejected the smaller bids, smaller sales, and planned on selling those at a later date, which we did. On July 11, we sold the \$3 million, and in August we sold the \$15 million of the harbors. So that if you look at the timing here in 1960, we sold in January, March, April, May, June, July and August, some different bonds, which is something unheard of up to that point.

REINIER: Where before it had been only at ninety-day intervals.

BETTS: Ninety-day intervals. We also had changed the amounts to a great degree. That July sale of the small harbor bonds, \$3 million, we had eleven bidders. So again the syndicate broke up into its normal small bid components. We were 32 points below the index on that particular bid.

REINIER: Now, what does it mean that you were 32 points below the index?

BETTS: It means that the interest cost to the state of California on that sale was .32 of 1 percent less than the index, which is the measure of the number of bond issues throughout the country on that given week, period, whatever it was that

they used for their index.

REINIER: So you're trying to save the state money by reducing the interest rate on the bonds.

BETTS: Our whole purpose is to reduce the interest cost on the bond. On this \$3 million sale the 32 basis points or .32 of 1 percent, would amount to a large amount of money saved, or less interest cost. But if you take this, this is really small. If you took it on half a billion dollars, billion not million, that we seem to be selling, it amounts to tens, actually hundreds of millions of dollars that's involved. So that it was worth the fight to try to get the lower interest costs. And the only thing we had to measure by was the Bond Buyer index, because the market, just like the market for anything else, is going to go up and down. If you have to sell, you need money, you're going to have to pay the market range. But you don't want to have to pay more than your fellow issuers are paying. In other words, in the state of California with our good economy, the things we had going for us in California, we thought we should be able to sell below what other issuers were selling, which would mean selling at less than the Bond Buyer index.

Then, going on from there, the August sale of the \$15 million that we had rejected earlier was only 4 points below. Then we went into April of 1960 [actually 1961] and I took a different approach. I put \$190 million up for sale. It was the largest sale the state of California up to that point had ever had. And we still were in bad shape. We paid 35 basis points over the index. No competition as usual.

REINIER: So it seems to be working for the small sales, but not for the big ones at this point.

BETTS: That's right. I think I said 1960, that was 1961, April of '61. Yes. From April of '60 to August of '61, which I haven't quite come to, as I said before, it was a time of experimentation for us. We were doing everything we could think of to change the pattern of the sales and make our bond sales more attractive.

Promoting the State of California

One of things, which I haven't mentioned, I don't believe that I did, was that approximately every three months I would make a trip to New York. We talked of my deputy [Richard C. Munden], he would always go with me. We would pretty well have planned out what we were going to say. I gave the presentation. We would meet

two luncheons, one day after another, with the bond underwriters one day and the next day with the potential bond buyers, in other words, the large funds, or pensions, or whatever might be interested in buying. We would give them the story of California, our growth, our economy was growing, everything was going well, trying to convince them the same as you would try to sell any other object that this was a good buy. Come in and buy it, you don't need quite so much interest in return for buying it. So we were making these trips at least four times a year. I do think that they were helpful, because we were getting publicity in New York. And not only New York, I went to Chicago, I went to Hartford, Houston, went to various markets throughout the country, the financial markets.

REINIER: Really selling the state of California.

BETTS: Selling the state of California, that's exactly what we were doing. All on the basis of trying to bring down the interest cost on the money we were borrowing, because the sale of a bond is nothing more than borrowing money. You give them a piece of paper in return. So we were trying to bring the interest costs down. We did this, it was, I'll say, very tiring, but we kept

it up. At first, I think they thought we were some kind of a nut. Later I think it proved out that we had most of the underwriters thinking that we were doing a good job for the state of California. They were willing to go along with it eventually and figure out that they were still making a fair profit. That's all that we were trying to show them. We weren't trying to say they weren't entitled to a profit. If they were private enterprise, certainly they were entitled to a profit for the risks they were taking. We just didn't want them to make it all on the state of California, make some of it on the others.

Breaking the Back of the Syndicate

So then, going on, on August 16, 1961, we had \$100 million schools [school bonds] up for sale. Now remember we had just sold in April \$190 million. So now I came along and said, "Well, that didn't work but maybe if we sell \$225 million, we'll get somewhere," not knowing whether it would or wouldn't. We were going to sell \$100 million schools [school bonds], \$100 million veterans [veterans' bonds], \$25 million state construction bonds. This August 16, 1961--August 16 happened to be my birthday, so we

BETTS: scheduled it on that. It happened to come on that date, which was nice, as it turned out this is when we broke the back of the syndicate and came up with our competition.

REINIER: How did you do that?

BETTS: That, in itself, is really an interesting story. At ten o'clock in my office, on the dates that we had sales we would open the bids. We had the people from our office who would do the technical checking of the bids there. We had the representatives of the syndicates who were going to bid. They'd come in usually just before ten o'clock and lay the sealed envelope on my desk. As I said, my deputy was there. The press was usually there. Now when I say the press, in this case, I mean the press for the financial markets, financial writers, not political writers, but financial writers. And they generally were fairly knowledgeable whereas the political writers were not knowledgeable at all in financial matters.

So, anyway, on this date [August 16, 1961] which I think is probably the most interesting part of my whole eight years in office, we came up just before ten o'clock and we had the one bid for each of the three sales. In other

words, we had three envelopes on the desk. And it was about one minute to ten, and a man whom I had never seen before walked in and asked if this was the place to deposit the bids. I said, "Yes," and he put an envelope on the desk and sat down. And, of course, no one knew what in the world was happening. On the outside of the envelopes, it said which one they were interested in. So this one happened to be for the school building bonds. He didn't bring in an envelope for the veteran's [bonds] or the state construction [bonds], just the school building bonds. Well, we opened the bids at ten o'clock and sure enough this particular one was 11 points, not under the index, but under what the Bank of America syndicate had bid. And that interest cost was 11 points less or .11 of 1 percent less on \$100 million of bonds which would stretch over about twenty years, which meant a lesser amount of interest that the state would have to pay. Not only that, but it was the first time since I had been there that we were able to get competition on a large issue. Now this created real problems in that we had two other issues of \$100 million and \$25 million that we were opening bids on and there was no

BETTS: competition on those. There were just the two bids from the syndicate. So, anyway, the bid was submitted by a firm called State Street Securities Inc.. We had never heard of it. So how does the treasurer say that I can accept something when I don't know who's bidding. It was a problem that we had to face. Obviously, we did have a \$100,000 check from each bid that was required as a good faith deposit which, if they didn't get the bid they got back. If they won the bid, then it stayed to apply on the purchase on the bonds. So we said, "Fine, we will take some time out here and we'll not make any acceptance or rejection of any of the bids 'till we've had time to check out what has happened."

So then I got the deputy, and he got the people in the other side of the office and everyone started calling New York to find out who State Street Securities was. Well, it turns out that State Street Securities was a firm formed by this particular man, what was his name, [Laughter], Plowden Wardlaw, a very British name, and a William S. Morris. Morris and he had merely formed this company two months previous to this. So there was no history on

BETTS: the company. We didn't have any history on Plowden Wardlaw. But we could find out about Mr. Morris because he had been in the underwriting business in New York. We got all sorts of information, no problems, everything was good. The main reason that he wanted to do this was he had asked the syndicate to give him a larger supply of bonds to sell and they wouldn't do it. Time after time he was of the opinion that they could have sold more if they would distribute more to the people. But they weren't doing it and they were abusing his ability to compete. No competition was their argument to keep it so their profit rates were high.

REINIER: So he had been a member of the syndicate?

BETTS: He had been a member of the syndicate, right. And he also was well aware of the saleability of California bonds. He took a tremendous gamble. We felt this was our one opportunity to break it or we were done. So we decided we would also go along and we would accept his bid, State Street Securities, who nobody knew. We'd accept their bid, and then that left us with what do we do with the other two bids. The problem was very simple. If we had gone ahead and sold those

other two issues, the \$100 million and the \$25 million to the syndicate, they could have broken Morris. They could have taken no profit on those, cut their profit out completely or way down, undercut him on the sales. He would be left with an inventory. And he would have had to reduce the interest that he could pay to where he would have lost money. And that would have broken him. So if that would have happened, it was pretty obvious that we would never get anyone else to try it.

So, over the objections, and I do mean objections of the syndicate members, we rejected those two bids which left us with the one bond issue, the \$100 million. One of the interesting things, and its hard now to think this way, but at that time computers were not in great use. Mr. Morris, through Mr. Wardlaw and talking to him, was a fanatic on the use of a computer. He had used computers, and computers, and computers to determine his bid. So that we had the beginning of, really, a new era in bond bidding. So...

REINIER: Was this a young firm, were these relatively young individuals?

BETTS: No. I would say Mr. Plowden Wardlow was middle-

aged at least. Mr. Morris was maybe a little younger than him, but no, they were not young people as you would think, they'd been around. They merely saw that here was an opportunity, that the syndicate was probably very complacent, they were not giving us the best bids that they could for the market. Here's an opportunity to make a million dollars. If they could make a million, the syndicate would have made two or three million, or four or whatever it was, with their bid. And he did make his million dollars. I say more power to him. And he distributed the bonds. He sold out, there was no problem at all.

REINIER: But you held back the rest of them.

BETTS: We held back the rest of them. We did not accept those bids. Afterwards we got many, many letters, not nice letters [Laughter], nasty letters from members of the syndicate. In other words, I'm sure that the Bank of America--I don't have proof of this but I'm almost positive--sent out a notice to their hundreds of underwriters in their syndicate, "Send Mr. Betts a letter stating that he shouldn't have done this." We got the letters. [Laughter] Very few or none saying this was a good job.

Now the papers, the financial writers, recognized what had happened. For instance, the [San Francisco] Chronicle said that it was one of the biggest bond sale upsets in state history. San Francisco Daily Commercial News said that "The California financial circles were shaken up yesterday by a low bid that was expected to save taxpayers millions of dollars on the sale of state bonds." Things like that. So this was something which we felt we had to take the risk of rejecting the other bids because here we had broken the syndicate. Whether we could keep it where we could have competition we didn't know.

REINIER: Were you able to keep the competition?

BETTS: Yes. From then on during the rest of the time that I was in office we had competition on all of the bond issues. Never had a one that did not have competition.

REINIER: So the Morris incident on your birthday was the crucial turning point in achieving the flexible policy that you were seeking.

BETTS: There was no doubt about that. I think it came about, and I'd like to at least take some credit, that our meetings in the financial communities everywhere around the country time

after time were productive. He realized he had to actually analyze what would Bert Betts do, because he was taking a gamble. As I say, if we had not rejected the other two bids, he could have lost his shirt, he really could have. So, he knew how badly, apparently, we wanted competition. Now I had never met the man. I was accused of having had meetings with him. I was accused of having, you know, told him things that I didn't tell others. Those letters were pretty good. I don't know whatever happened to the letters; I probably threw them out. But, at any rate, he was, he had to be a very smart man. He was a technical type with the computers, and he saw an advantage. I think Plowden Wardlaw with whom he formed State Street Securities was probably the man who was able to put some money into it, to get it going and what they needed. Another interesting thing about it was that if he had gone to any bank to get a \$100,000 deposit check without being very, very cautious and careful, that information would have gotten back to the syndicate. Then they would have known that they had to do something.

REINIER: So, what did he do?

BETTS: I don't know how he did it, but he arranged to

have that \$100,000 check from a legitimate bank without any publicity going out about it. Now, how he did it, I don't know.

REINIER: And you didn't have any prior knowledge...

BETTS: I didn't know...

REINIER: ...that this was going to happen?

BETTS: ...until he walked in at one minute to ten. He said he had been walking the park waiting for ten o'clock because he did not want to come in at five minutes to ten and give the others a chance to take their bids back, and make a quick phone call to San Francisco and change their bid. So he came in when it was too late for anybody to do anything, deposited his bid on the desk. It was a very, very fine birthday present. [Laughter]

REINIER: Sounds like it was very exciting.

BETTS: We went on then, leaving that, because the problem now is, is the competitive situation going to remain?

REINIER: Well, before we go on, perhaps you're addressing this, what happened to those bids that you rejected?

BETTS: I sold them later.

REINIER: You sold them later?

BETTS: Yes. Now, I might say that the San Francisco

Chronicle later in January of '62 came out with a story regarding this. They had a lengthy story in which they said it was probably the most interesting, I forget exactly what they said here, but, talking about Morris, his timing and judgment, and the fact that the treasurer was able to make the decision to not accept the others. They said it was very good thing for the state of California. Of course, those things helped in the press because it was always nice to hear something good after all the bad things you get in politics.

Talking about the ones we rejected, then in September, less than a month later, on September 13th I brought the \$100 million veterans' bond issue back, which we'd rejected. At that point, obviously, there'd been tremendous talking around the country, all the financial newspapers were talking about it. The syndicate was very much on edge, very unhappy as I told you. So that I'm sure they figured, if this man bids again, we're going to beat him. So they made every effort to I'm sure. But what surprised everybody was that State Street Securities again came in with a low bid on the \$100 million in veterans' [bonds], not as much, they bid 3.76

BETTS: percent and the Bank of America syndicate was 3.79 percent. So we had competition. We were still above the Bond Buyer index, but at least we had broken the competitive thing. We now had two in a row in which the syndicate had been defeated. They were very unhappy. I'm sure that their feeling was that this man is not going to do this to us again.

REINIER: So then State Street [Securities, Inc.] bought the veterans' bonds?

BETTS: They bought the bonds I had rejected in August. They bought them in September. And they bought them in spite of Bank of America trying to beat them and couldn't do it. So, State Street Securities showed that the interest costs could be lower to the state of California and the bonds could still sell out. By selling out I mean that within a day or two, of the \$100 million they've sold maybe all but four or five million of the bonds, which they did. And you have to remember that he had to do this in spite of the syndicate head, in all likelihood, telling their members, don't deal with Mr. Morris. So, he had done a lot of thinking and he knew how he could accomplish it. I admired the man very much and I didn't begrudge him one

penny of what he made off of those sales, because he saved the people of California hundreds of millions of dollars over the next six years.

The October 18th sale we came back with \$100 million state construction [bonds] which I believe part of, yes, the \$25 million I rejected in August from state construction [bonds] was included. So we came back with \$100 million in October. Now, you remember we sold in August, got competition. We sold in September, got competition, a month later. Now this is October, it's another \$100 million. It's \$300 million within two calendar months, even though they were a month apart, two calendar months, which had never even been considered before. Now we were in a good market. Everything was working out for us finally. So on that \$100 million state construction [bonds] we got competition, but the Bank of America had split. We also had State Street Securities, but Bank of America had split and they now came in as one syndicate and Bankers' Trust as another. So that we felt at this point in October, two months after competition was brought to the forefront, we now had real competition, if we

BETTS: could keep those two syndicates from joining together again. And that was what we worked on from then on. The Bank of America syndicate won the \$100 million dollar state construction [bonds] with a bid of 3.46 percent. So you can see the interest rates were coming down for the state of California. We now were only 1 point, or .01 of 1 percent, over the Bond Buyer index on this sale. It was the best bid that we'd had in five years in relation to the index and we felt very, very good at this point.

We went into 1962 and 1963 feeling that we would have competition. And in those two years we had competition, as I said, on every bond issue. The syndicate never went back together while I was in office. It continued to make the one bid, or two bids rather. We got below the index on all of our sales in 1962 and 1963 and this was in spite of the fact that they were now talking about water bonds, which was \$175 billion that would be put before the people.

State Water Project Bonds

REINIER: When did you start selling the water bonds?

BETTS: February 1964. So you can see that they were, authorized during this period. I had to do a tremendous amount of talking to the people, the

underwriters and so on, that this \$175 billion could be absorbed within our bond sales program, that we would not flood the market. We would do what I said before when I took the ninety-day clause out, we would not come to market until they had gotten rid of or digested the bonds that were in the market to be sold. I never talked against the water bonds, I was for the water bonds 100 percent. This was, I think, one of the major contributions that Pat Brown's administration made to the state of California. The north and south had fought for years and years and years over water, finally we were able to bring about something that would solve the problems for both the north and the south...

[End tape 2, side B]

[Session 3, August 11, 1987]

[Begin tape 3, side A]

VII. THE CALIFORNIA WATER PLAN

REINIER: We were talking, last time, about the California Water Plan and the bonds that you sold in connection with that plan, and you were saying that you basically approved of the water plan itself.

BETTS: Yes, I definitely approved of the water plan. I think it was something that the state of California absolutely had to have. There'd been a fight among the north and the south for many years over water. We felt that it would be very difficult to schedule these \$175 billion, that's billion not million, water bonds into our normal selling routine. But we did feel that it could be accomplished. I might say that we had one very fortunate thing happen that helped us on that considerably. That is that in 1962, I believe it was, the demand for the [California Veterans] Cal Vet bonds, the veterans' bonds, decreased considerably. I'm not sure why, but it did. We only sold \$100 million worth of Cal

Vet bonds in '62 and '63 combined. Then in '64 and '65 it was still down and we only sold \$110 million. We had been selling much more than that in volume. So that this, as it turned out, was a big help in keeping the cost, the interest cost, down when we brought this large volume of water bonds into the program.

REINIER: Probably that was after Korea and before Vietnam, as far as the vets were concerned.

BETTS: Right. I think also the World War II vets had about reached an age where they were not buying at that point, they'd either bought or they were not going to buy a home. So it came at a very, very good time as far as the treasurer's office was concerned.

Power Revenue Waiver Suit

The water bonds also had an interesting quirk to them, in that we went to court on a friendly suit. I was sued as treasurer on a power revenue waiver for these water bonds, they were general obligation bonds. What this meant was, that the revenue from the power generated by the water system, the water program, could be used for other purposes than to service these bonds, other purposes than to pay the principal and interest on the water

bonds. This was something then that we put on the face of the bonds and would give them flexibility later for using that revenue for other sources. So, in effect, we did have a friendly suit. I lost, in effect, the way it was working out, that that revenue waiver would be on the bonds...

REINIER: Who sued you?

BETTS: What? Who sued me?

REINIER: Yes. How did that work?

BETTS: I would say that it was probably, I don't remember for sure, but I think it would have been the Water Bond Finance Committee, of which I was a member also. But I would have abstained in that vote. In other words, I wanted to lose, in effect, so that the revenue from the power would be available for other purposes. Now...

REINIER: For what purposes, for example?

BETTS: The power revenue, as far as I can remember, would have been used, basically, as a reserve. So that in case we had problems with the servicing of the bonds, we would have another source of revenue. In addition, it would be used, I believe, for the operation of the water system.

Short-Term Revenue Anticipation Bonds

Now, we had one big problem in 1963. The water program was running out of money that they had for construction and we had not yet sold any of the bonds, and they needed cash. In 1961, I think I mentioned before that we had gone to the legislature and asked for legislation to permit us to sell short-term revenue anticipation bonds, on the basis that at that time we were having trouble with the volume of bonds. We were trying to install this flexible system and timing. Therefore we wanted to be able to go in and sell, short-term if necessary, if the market was bad. As it turned out the veterans' bonds, as I mentioned, volume decreased and we never used it for that purpose. But it was still on the books.

So in 1963, I believe it was in November, the water people said, "We need money." We were not in a position yet to sell the first of the water bonds. So we went to market with \$50 million of these short-term bond anticipation notes, which would be paid from the first sale of the bonds. The sale of those were the first time that the state of California had ever sold such an instrument, security. But we did get competition on that sale and we sold them for

BETTS: less than 2 percent interest cost. It was 1.96 I believe, they were six-and-a-half-month bond notes. So that particular program, having it on the books, really saved the water program from having to stop construction. They would have had to hold up construction. Of course, we all felt the water program was so important there had to be something done. And that's what we did.

Louisville Award, Municipal Financial Officers
of the United States and Canada

I might say that the use of this was the main reason that I was awarded the Louisville Award by the Municipal Financial Officers of the United States and Canada, that's a mouthful. It was the first time that they had ever awarded to a state official the Louisville award, which is for some kind of good work during the year. I think it was also partly in remembrance of the competitive situation, which we'd brought back because by that time we'd had this legislation put on the books.

Selling State Water Project Bonds

But at any rate, the water program then got off the ground. In February 1964 we had our first sale and from then on they just went along

BETTS: in the program. We integrated them in with the schools and state capital construction, which was universities, etc., and the other bonds we had to sell. The total bond program--in 1964, we sold \$630 million. In 1965 we sold \$535 million. And in all of those bond sales we had competition. So that for the entire time after we were able to get the competitive bids, until I left office at least, we had competitive bids on all of our large sales. Now, because of the volume of the water bonds going in there, even with the deletion of some of the veterans' [bonds], I think we did pay a little more than we would have paid with the lesser volume. '64 and '65 were right about the Bond Buyer [index] average, where we had been going below the Bond Buyer average before that. So all you can deduce from that is that volume does hurt your interest cost.

Bonds vs Pay-As-You-Go

The main thing on bonds, in winding up this part of what the treasurer's office was all about when I was there, is that I constantly was trying to convince the governor and the legislature not to go too heavy in bonds. I was a firm believer that bonds were essential in the

BETTS: building of any growing community or state as California was, and we were growing very rapidly at that time. I realized that you buy things on credit, and the state could buy things on credit. The only thing was it should be something which had a lasting value to it. Don't use up your credit for things which did not operate that way, that should be paid out of a pay-as-you-go type system. So I did have a policy of holding the line on bonding and not getting too much, and yet realizing that it was essential in California's economy.

REINIER: Do you think that the market for California bonds was becoming saturated?

BETTS: Oh, it definitely was saturated. Yes, no question.

REINIER: What were the implications of that?

BETTS: Higher interest cost. That was the thing we were fighting all the time. That's why I went to New York, Hartford, Chicago, Dallas, all over the country talking to the underwriters and the potential buyers of bonds. What we were trying to do was to convince them to put more of California in their portfolios and less of anybody else. We didn't care, put more of California in. And anytime you have bonds of a

local nature from California, that also helped to overload the market. That was the thing that we were fighting constantly.

REINIER: So, the outcome of that would be that the interest rate would go up.

BETTS: That's right. If you put too much in, you're going to pay more to sell them. It's like anything else, demand and supply, supply and demand.

REINIER: What would be an example of the kind of spending that you think shouldn't be financed by bonds?

BETTS: Well, I'll have to think about that a minute. I would say any type of spending which would be used up in that period. In other words, what would normally be for your living costs, if you're an individual, or your day-to-day administrative costs. You pay for that out of the revenue that comes in, and if you don't take in enough revenue, you've got an unbalanced budget. So therefore, I don't believe that you should bond to pay for ordinary day-to-day expenses.

REINIER: But you should bond for long term projects like university buildings?

BETTS: Absolutely. But again you have to use moderation because you may need university

buildings, you may need other state buildings, the schools may need, in their opinion, many more schools than the bonding capacity would be. You have, now, many, many other programs they're using bonds for. I am not familiar enough with those programs since I've left office to know whether they are for the long-term good or whether they are short-term. But I would oppose them if they were for short-term operations. I would also have to oppose some of them if I felt in the volume going to market we were paying way over what we should be paying in interest costs. Because there is a day of reckoning on any borrowing.

REINIER: So by your second term, you were publicly advocating pay-as-you-go.

BETTS: I was advocating pay-as-you-go on most things. Not the water project, not the veterans, not the school buildings, not the state buildings, which would be mainly universities. But for a lot of the other, where they'd want \$50 or \$60 million for something which I felt should be financed out of local or current revenue, I would definitely be in opposition to it. Now, I wouldn't necessarily be in opposition to a program after it had come through the

legislature and the governor if that's what they voted. I would be opposing it in the halls of the capitol before it got to that point. I would be trying to get the legislature not to vote it out, or trying to get the governor not wanting it on the ballot.

REINIER: Well, did you have any luck in getting that point of view to prevail?

BETTS: Yes, I think we did, I definitely think we did. We had a resolution on arbitrage, for instance. I think we had a legislative resolution.

Retaining the Tax-Exempt Status on Bonds

One other item that I have not touched on, and it's along the same lines, we were really informing the legislators as to our problem in selling bonds, is that the congress at that time was trying to take away the tax-exempt status [on bonds]. We felt it was a constitutional guarantee for the states. Congress, as you know, figures every so often it can get away with things. So they were constantly at this time trying to figure out how they could get more taxes. Therefore, this was one of the ways, to eliminate tax-exemption. Therefore the people who bought those bonds would have to pay tax on that revenue. Thus, if you're going to

buy a taxable bond, you're going to pay more for it. Thus, it comes down to the state or the community, they pay more interest. So the local people pay a higher cost and the federal government gets more income. We didn't like that. We didn't think it was right. Besides that, it was in the constitution and we had a thing to protect here.

So the National Association of State Auditors, Comptrollers and Treasurers appointed a committee of three. I was on it during all this period I was in office. I think the comptroller of Maryland was on it and the treasurer of South Carolina, I believe. We met in Washington now and then, would meet with congressmen and try to explain our position, that it hurt the local people and we didn't think it was right. Thus we fought this battle, well, probably six or seven years while I was in office. The state legislature went along with me. I asked them for a resolution opposing the elimination of the tax-exempt status on bonds. They went along with me on that and we got such a resolution. So that I would say, yes, we had good cooperation from the legislature.

REINIER: You were successful then in keeping the tax-

exempt status?

BETTS: Right. Congress sort of plays with that every so often, even in this last '86 tax bill they played with it a little bit. You have to be constantly alert if you're working for a municipality or a state that they don't get their way.

Arbitrage

REINIER: Well now, is there anything else that we should explore on the topic of bonds?

BETTS: Well, one other thing, I think I just mentioned it briefly, and that's arbitrage. That's where as a state or a municipality, you sell \$10 million worth of bonds and you need \$1 million, say in an exaggerated case, for something. Then you've sold these tax-exempt bonds at the tax-exempt equivalent rate. Now you go out on the market and you invest the other \$9 million at a rate which is not tax-exempt. So you are making more than you are paying in revenue against interest cost. People say, this is good business, this makes sense. The state of California goes out and sells \$100 million and invest \$99 million of it and you're going to make money for the state. The problem is, what they didn't see, and what was so hard to

convince the people on the local level, particularly the people that were doing this, was that the same thing holds true. You are now putting more debt instruments into the market and thus you are creating an oversupply. There isn't enough demand, so they're going to pay far more in interest costs than they're going to make in that arbitrage. They thought they were making so much money. The only problem is the ones that would do it maybe didn't have to sell a lot of bonds for specific capital purposes. So there was a difference of opinion. My opinion was that it was not a thing a responsible government should do, and I opposed arbitrage completely.

More on Flexibility in Bond Sales

As far as anything else on the bonds, I guess just before I left office in 1966 we still were selling around \$600 million worth of bonds a year. At some point in that year we were, on our flexible bond selling program, not going to sell. The market was very bad. I don't remember, I think it was in March or April. New Jersey had scheduled a tremendously large sale of \$440 million. For some reason--I don't remember now what it was--they cancelled the

BETTS: sale. It was probably because the market conditions were so bad. As I say, we were not planning on selling. They cancelled the \$440 million, some figure like that, it was very big, close to half a billion dollars. So we immediately, with our flexibility now, since we had told the underwriters we would come in if they were pretty well cleared up of our bonds on their shelves, we jumped in and sold \$100 million worth of bonds, even in a bad market. But there was \$440 million out there waiting to be invested in New Jersey bonds, so they were fighting over that \$100 million pretty much. We got a very good interest cost, considering the market at that time. Things like that are what is necessary in this flexible program that I think we did well with for the people of California.

REINIER: Now you were able to maintain that flexible program while you were in office. Is that still followed in California, do you know?

BETTS: I honestly do not know. When I left office, I left office, period. I don't know. I would say that, particularly in a political office, which that is, you don't follow up and see what's happening in that office. At least I didn't. I

left the political office of state treasurer and I left politics in early 1967.

VIII. MODERNIZATION OF THE TREASURER'S OFFICE

REINIER: Now, we've talked about changes that you made in the treasurer's office after the long term of Charles Johnson [1923 to 1956]. We talked about deposits and we talked about bonds. What other changes did you find it necessary to make?

BETTS: Well, there were a number of changes that we made. I've tried to jog my memory on a few of them, but I'm sure I don't remember all of them. We tried to upgrade the operations within the office. Now, I would like to also say that the man [A. Ronald Button] who preceded me for two years [1956-1958], was no doubt was trying to do the same things, trying to accomplish this. He was not there long enough to really get it done. Because we have to remember that two years before I took office the treasurer's office had hit a low peak. The legislature had for years been taking duties away from the treasurer's office. They had been doing everything they could to completely make the office practically a nonentity.

REINIER: They also wanted to make it an appointive rather

than an elective office, didn't they?

BETTS: They did that, and they also wanted to eliminate the office. I mean there were many different plans put forth before it came to a head and Treasurer Johnson and Governor Knight had it out.

Keeping Track of Bonds and Coupons

So anyway, getting back to what we did, on the bonds and coupons, I've tried to break this down into different catagories, and in the bonds and coupons when we got there, we found a man sitting with a crayola and a chart keeping track of bonds that were being redeemed, and these were millions of bonds and coupons. So we eliminated that. I can't tell you exactly what we did, we put in some sort of mechanization process. We definitely eliminated the crayola and the charts. Then we also went to the legislature on that and asked to have the law changed. At that point the law said we had to retain all the redeemed coupons for ten years, which didn't make any sense at all. They were redeemed, they were paid off, they were no good. So the legislature gave us that law. So those were two things we did in that particular phase.

Evening Out Deposits

In the investments and deposits we made a big change in the way that we handled the renewing of the deposits which we talked about the other day. This would have been on the time deposits, which would be the equivalent of a savings account in an ordinary person's life. When we took office, we found that we would have a large amount coming due this month, a small amount next month and up and down. By coming due I mean that the deposits that we had, the money that we had on deposit with the bank, which they paid interest on in the time deposits, would come due at these different times. We felt that this was just absolutely impossible to be flexible with, because we had the possibility of a bad market. And if you get a large amount coming due for renewal in a bad market, you could actually reach a point where none of the banks wanted the money at a fair rate. So we actually tried over a period of a year or two to even the deposits out where we'd have about one-twelfth coming due each month. This was done by, instead of making a six month or a twelve month renewal deposit, we would make them for an odd number of months, so that by the end of each month we could see where we were

BETTS: beginning to build towards one-twelfth of our total amount that we had in time deposits. And this, I think, really helped us and gave us some good flexibility and kept us from being at the mercy of the banks if the market was bad, things like that. What it really was would be the equivalent of dollar averaging. I think people now who invest in stocks, they understand that. If you put so much in every month, you're going to come out dollar averaging with a fair return. We were saying the same thing. We were dollar averaging. We'd put it in and the market would go up and down. More important than that, we wouldn't have to go to the banks with a tremendously large amount in one month and then nothing the next month. So that worked out well. I think it also reduced, because we had an even flow of money coming in, the need for interfund borrowing and thus paying interest costs out of the general fund.

REINIER: So, did that make you more independent of the banks?

BETTS: Yes. Definitely gave us independence from the banks more.

Investing in Government Securities

Then we also had another law changed. We

had quite a few laws changed while I was in office, I obviously don't remember all of them. We were able to invest only in government securities. I'm not talking about deposits, I'm talking about what we invested in. We felt that governmental agencies securities such as Fannie Maes, at that time they were the main one, now they have all kinds of them, would be safe. There wouldn't be enough risk that we would worry about it, and yet they paid a higher interest. So we asked the legislature to give us a law which would permit us to invest in governmental agency securities, which they did. This obviously gave us more flexibility and it gave us a higher rate of return.

Enlarging the Capitol Vault

Then going into the vault and the storage problem, you realize that we were storing billions of dollars of securities in that vault for the teachers retirement system, the Public Employees Retirement System and things like that...

REINIER: What vault? Is this the vault at the capitol?

BETTS: This was the vault that we had under our office. A very, very large vault, we had two or three men who worked down there full time, had

complete air circulation, etc. There was an elevator to go down to it. It was a very large vault, but it was not large enough. We were getting paper just by the millions and millions of pieces of paper.

REINIER: And this was in the old capitol building?

BETTS: This was in the old capitol building and I presume the vault is still there. So, we realized we had a storage problem and we had to do some things about it, because we were just outgrowing it. So we did two or three things. One was we added on to the vault. We had a big hole in the ground outside my office there where the vault was underneath it. I don't know, many, many months they were working on that. So we enlarged the vault. You know, they had to go through six feet of concrete, something like that to do this, and through metal plates. It's a very good vault! We enlarged the vault, one of the things.

Modernizing the Processing of Coupons

Then, in addition, there was just too much paper. It was ridiculous. Here we were sitting with millions of securities, \$1000 pieces of paper, and we had to have people down in that vault cutting the coupons off them as they came

due.

REINIER: By hand?

BETTS: By hand. So, we went out and we got a coupon cutter. And then we got a coupon counter, so that you could just flip through them and you'd know when you had a hundred coupons or something. So these were things that we did to improve the speed at which we could handle this paper. And then we got into something which was even a better solution to it, if we could have done it with everything. We did it with everything we could, but it took time, and that was to cut down the number of pieces of paper. We would, in effect, go to the issuer of the paper, say it was a General Motors security we had. We might have had, I think there was one example and I don't know whether I made a note of it or not. Yes, there were 118,000 pieces of paper, 118,000. We got an agreement by the issuer of that paper that they would issue us X number of pieces. In that case it ended up being about 250 pieces of paper, in registered form. We didn't even have to clip a coupon. They mailed us our interest and that was all there was to it. So in that particular example we had 118,000 pieces of paper which we reduced

to 250. Now, we did this a number of times and as often as we could. We still had coupon clipping that we had to do regardless of that. But these were some of things that we felt absolutely essential to keep from having to go just under all of the capitol grounds with the vault.

Lack of Computers

REINIER: You weren't using computers in the 1960's.

BETTS: We were not using computers. I'm glad you asked that question, because we would have liked to have used a computer over in another department, in our accounting department. And for this too I'm sure it could have been programmed. But we would have liked to have used a computer over in our accounting department where we had to reconcile...

[End tape 3, side A]

[Begin tape 3, side B]

BETTS: It's data processing, the work that I would liked to have used a computer for, but at that time remember the computers were generally something that would be big enough to fill this room. They had to be in a room where the temperature didn't vary over so many degrees, things like that. It's not like today where you

have computers everywhere. We've got one here on a desk and everybody else seems to have one and they're great. I wished we had had one, but we didn't. We explored it and it did not seem practical so we did not get the computer.

Changing the Filing System

We had one other thing in that vault that we changed. You asked originally what changes we made. We made a big change in the way we filed things. This was basically after we got the new vault and we had time, in 1961 I think it was, to realize that all of this hand work was difficult. In addition, our filing system of all our securities, and remember we had billions of dollars worth of securities in that vault, they were filed basically chronologically. Now let me go back and say they should have been filed chronologically by coupon due dates so that you could go to a June 30 or a July 31 or August 31 and have all the bonds that you had to clip the coupons on in that particular order. It seems simple now but that wasn't the way the filing system was. It was basically filed by either the owner of the bond, which agency it belonged to, and within that by the issuer of the bond. So you had to

BETTS: keep additional records as to which bonds had to be pulled out and clipped at a certain time. This seemed like an awful waste of time, so we changed that. We found some company that put out files that just fit what we needed. So in the new vault particularly, you could go up and down the aisles in the vault, and pull out just the ones you needed to take care of at that particular date. Therefore, assuming that the filing was all done accurately, you knew you had all of the bonds and coupons. Where the other way you had the chance of not getting them picked up in time and you'd lose the interest for a month or two months or how ever long you were late in clipping the coupons. So this was something which seemed rather simple, and yet it was very important and saved a lot of time.

Ironing Wrinkled Securities

We also had something which is sort of humorous. We had paper that would come in to us that would be all wrinkled up and in bad shape. You could still redeem it. So we had an ironing board in the vault, which I never used I might add. But they would use the ironing board, the men that worked down there, to get the creases out of the securities and try to make them flat

BETTS: so they could be filed and not take up any more space than was necessary. We had one time when one of the secretaries was going to go down into the vault. Someone up above called and said, "This girl's on her way down." They didn't believe them down there that she was coming down, because the one man had had his trousers off and was pressing his pants! [Laughter] So when she got there, he hustled a little bit to take care of things. But that is one of the stories from the treasurer's office, I don't know, I think it's true.

REINIER: Things must really be different now. It sounds like kind of an old-fashioned operation.

BETTS: Well, I think we were trying to overcome that, that's for sure. I think they still get paper they have to do something with, that's bad. I think maybe they have a better system than an ironing board to flatten them out. But you have to accept the paper if it's there, just like the government has to accept the old bills. They destroy them, we couldn't destroy them.

REINIER: Sure, somebody carried that around maybe for twenty years.

BETTS: That's right. So, I think that that pretty well explains what we did in the vault program to

make it more efficient. As I told you, we exchanged pieces of paper, and I gave you one example. Well, we were doing that constantly and eliminating many, many hundreds, well thousands, and thousands of securities for a smaller number of pieces of paper.

And I mentioned that in the accounting we would like to have used computers, but we didn't. So we had the data processing for bank reconciliations, things like that. We did not get that changed, it would have been nice if we could have.

Collection Agency Services

The agency services was an item in which we saved a goodly amount of money, but again, it's like most of these things, you're talking in tens of thousands of dollars, whereas with the investments and the bonds sales you're talking about tens of millions or hundreds of millions. So that it was something we had to accomplish but it was not the most important thing. We negotiated the collection agency services which was in Sacramento. That was where the banks picked up the matured bonds and coupons from our office, and then they handled the actual redemption with whomever the paying agent was:

BETTS: That was paid for, rather than paying a set fee when we got there, they had been given a \$2 million compensating balance. In other words, the state put \$2 million into their bank and they would be the state's collection agency and do this work for it. The contract, it was on a contract, a written contract, also stated that they would do other services, but we could never find out what the other services were. So we went to bid to get a new collection agency contract and we left off the other services, just designated what we wanted. We got many banks very interested in it, Sacramento banks. And instead of a \$2 million compensating balance, we had a \$200,000 compensating balance, which would be 10 percent of the one that was before. So therefore we had \$1,800,000 additional money that we could invest to earn interest or deposit to earn interest, whichever way the market was best for the state of California. So, these were things that saved maybe \$50,000 or something like that, but over a period of years you could save quite a bit by it.

Fiscal Agents

And we also had fiscal agents. We had a

BETTS: fiscal agent in New York. This was a bank at which eastern bond holders could redeem California bonds and coupons. Now this is the other end, this is the bonds that the state of California sold. The people in the east didn't particularly want to have to come to Sacramento or mail them to Sacramento. They could always redeem them in our office, but they didn't particularly want to do that. We were doing everything we could, as I mentioned, in the bond selling program to make the interest costs lower. One of the things was to make it convenient for the buyers of the bonds. I felt if it was easier for them to redeem their coupons, they might accept a little, just a fraction of a percent, less in interest. So we did everything we could to make it easier. We only had a fiscal agent in New York. We then later arranged for one in Chicago so that the midwest would have a place to redeem their bonds. This still didn't prohibit the bond holder from mailing them to Sacramento if they wanted to, but it made it much simpler. They could, in effect, turn it into their bank usually in the east or in the midwest. And then their bank would send it to the closest place to

them in New York or Chicago.

REINIER: And you're dealing with a whole spectrum of bond holders, aren't you?

BETTS: You're dealing with every economic level and every geographical level in the United States. In fact, I guess out of the United States, but you wouldn't have too many out of the United States unless they were citizens and paying a tax, because the tax-exempt status is why they buy the bonds.

We had a fee with the New York [fiscal] agent of some \$93,000 in 1965. This is the only figure that I could find in trying to think about this a little bit for today. We had a \$93,500 fee that we paid the New York people. We renegotiated it and talked to them at great length and came up with a fee about half that figure, \$45,500. So again, we saved \$45,000 per a year on that particular contract. Again I might say, we didn't figure they were unimportant, but we also didn't feel they were as important as the other big issues in the treasurer's office.

I might also say that as treasurer, I was putting so much of my time on the bond sales, and so much of my time on the investment

program, that these things we've talked about now as to changes in the vault, changes in the filing system, changes in these various things, were things that basically Mr. Munden and myself--remember he was the deputy treasurer--would discuss many times well into the evening. We would say, "This is what we want to do." And I would say, "Go ahead with it." Now obviously I wasn't over there putting in new files or things like that. I was negotiating with the banks on the fiscal contracts and that type of thing. The negotiating with the banks, I did personally. But as far as the mechanical things in the office, Mr. Munden would take that and when I said "go," he would handle that operational part of it. He actually handled the nuts and bolts, the operational part of the office.

REINIER: And he stayed the whole eight years that you were there?

BETTS: He came in a few months after I came into office. I had another man with me the first six or seven months I think it was. And then, as I mentioned earlier to you, I called him up, talked him into coming up. And he was there until we left. And we're still very good

friends.

REINIER: Anything else on reorganization?

BETTS: No, I don't believe so. I think we've covered everything that I have been able to bring to my mind. I'm sure there are a lot of things I have not covered, but if you can think of any questions on it I'd be happy to try to answer them.

IX. THE TREASURER AND THE LEGISLATURE

REINIER: Well, I think maybe we should turn to some of the political aspects of the office.

BETTS: All right.

REINIER: You've stressed how important you think financial background is...

BETTS: Absolutely.

REINIER: ...for the treasurer. But it's also a political job...

BETTS: Definitely.

REINIER: ...and I wondered what some of your reactions, with hindsight, are to the political aspects of the job.

BETTS: Well, the political part of it is really not in the operation of the office. The only place that maybe the political comes into operating the office is in your dealings with the

legislature, dealings with the governor, dealings with the controller, things like that, with other political beings. As far as running the office, I can't see, when I was there I couldn't see, and I can't see from hindsight, where politics entered into any part of it. It was just really a financial and management type of thing. I think that being political was helpful when it came to getting bills passed in the legislature that I needed. I think if I had been a nonpartisan state treasurer, I might have had more trouble getting things through the legislature that I needed. I'm sure I would have had a harder time trying to see the governor if I wanted to talk to him about something. So that it had its advantages, I'm sure, in accessibility to other political people. As far as running the office, I don't think I was ever confronted with any political decision.

I will say that the politics were interesting. I enjoyed many, many political dinners and that type of thing. I met many people from President [Harry S.] Truman on down. I would say I would put him at the top because he's one of my favorites. So it was interesting

BETTS: and maybe kept up my interest in the legislative process as well as the contacts with the other constitutional officers more than it might have been if it had been a nonpartisan office.

REINIER: How did you deal with the legislature? Did you have any special techniques?

BETTS: Obviously, I didn't have enough. I didn't get a computer and I didn't get the Los Angeles office. [Laughter]

REINIER: We should mention the Los Angeles office.

BETTS: Yes. Yes, I tried to get a Los Angeles office because I felt the same as I did with the data, as we talked about it, for the Chicago office and my trips to other financial centers. I felt Los Angeles, even though it was only 400, 500 miles away, was important enough that we should have people down there. Not that I wanted to move to Los Angeles, believe me, I didn't want to move to Los Angeles, and wouldn't have. But I felt it would have been good to have an officer down there with some authority from the treasurer's office to be able to talk to those bankers down there. They and the underwriters, you know San Francisco is basically, I guess you could say, the center of the financial world, but Los Angeles probably won't admit to that.

They certainly are powerful and there's a tremendous volume of them down there.

Importance of the Committee Chair

In dealing with the legislature, of course, the first place you go is to the committees that are hearing your bills that you want to get passed. It hasn't changed, it never will. And, the chairman of the committee is obviously the important person. Again I think possibly that being the political type of person in the office of treasurer rather than nonpartisan certainly gave me an advantage in talking to the committee chairmen. I would usually try to talk to the chairman before we had a hearing. I would talk to as many of the members of the committee, just the same thing that's going on today.

REINIER: Lobbying?

BETTS: We, in effect, were doing our own lobbying for a bill, any bill that we might have. And I've mentioned three or four of them here, and we had a number of them. We didn't have them every day, but we had a lot of them. I, generally, in almost all cases did that myself, talking to them. The relations between the state treasurer's office and the legislature were accomplished by me as treasurer. This was not

delegated. We normally came out pretty good, because we didn't have too controversial type things. We were trying to improve the office. The legislature had spent the last twenty years reducing the office, they knew that. They wanted to have confidence in the man in the office, and they were therefore giving slowly what we wanted to get.

Now, sometimes it was difficult. And a chairman of a committee in those days particularly, more so than now I think, was all powerful. I can remember going before a committee one time, it was a senate committee, and the senator who was the chairman had apparently determined before the meeting what was going to happen to this bill. He had not told me, which was his prerogative, but he was not going to go along with me on whatever it was I was asking. I don't have the slightest idea now what it was. But I had a senator definitely on my side from over in the Bay Area. So when the bill was taken up, the senator moved the bill, and before the chairman knew it, the bill was out. So I went back to my office and I thought, "Gee, this is great. We got whatever it was that we wanted and it's finished, you

BETTS: know, it's all done." Boy, about an hour or two later I had a phone call that the bill had not come out of committee. So the chairman of that committee when I left took it up for whatever you call it, a rehearing. He made it very clear that bill wasn't going to go out of committee, apparently. And it didn't, the vote was reversed. I really got upset with that. He happened to be a man of the same party I was in, so I went into his office just storming and we had it out. But he said, "You know, there's just one thing. I'm not really against the bill to that extent. But," he said, "I have got to control my committee. The committee just was not under control at that point and I can not let them do that to me." I said, "Well, its your committee." So I lost.

REINIER: So you never got that bill?

BETTS: Oh, I don't know if we ever got it. It was dead for that period. Whether we came back and got it out some other way, I would guess we probably did. But they felt very strongly about their committees in the legislature, that was the senate side that particular time.

Jeese Unruh as Speaker of the Assembly

And other dealings, of course, the Speaker

of the Assembly was very powerful, and I had good relations with him, so I had...

REINIER: That was when Jesse Unruh...

BETTS: Jesse Unruh was speaker. If I had big problems, I would go to him and talk to him about it. For instance, one time there was a bill which I was in favor of, I guess you could say it was our bill. We were trying to get the four constitutional officers to have the same pay. Prior to that the secretary of state and the treasurer were below the controller and the lieutenant governor, by about \$5000 or \$2000, I don't remember what it was. And it just seemed to me that those four should all have the same pay. It was probably in '61 at some point when they were voting a raise in pay. Of course, a constitutional officer can not get a raise in pay except at the beginning of a new term, so that's why I say it was probably in '61. So I went to Jesse Unruh at that time and explained to him that I thought it would be more equitable if those four offices were all the same pay, with which he agreed. I left it in his hands and it was changed.

So there are many different ways to deal with the legislature and all of them were

interesting. It was very interesting dealing with them. I wouldn't particularly want to have to be doing it for a living as a lobbyist, that wouldn't strike my fancy at all. I don't know what else you might have in mind in regard to my relations with the legislature.

REINIER: Well how did you lobby? Did you invite people to lunch?

BETTS: No, no. I would go to their office and talk to them, that was the only way. Mine was just a straight forward, call up or have the secretary call up and see if he was there, could he spend five minutes with me. And I'd go tell him my problem. I'd go to the different committee members, making sure always to having gone to the chairman first, and tell them my problem, that was all.

REINIER: Did the pressure by the legislature to make the office an appointive office really stop then?

BETTS: Yes, it stopped. There was no problem once I was there. I don't know whether Mr. Button had a problem or not. It was obviously due to the Johnson problem.

X. THE TREASURER AND THE GOVERNOR

An Appointed vs the Elected Treasurer

REINIER: Do you think it would be a real mistake to have the treasurer be appointed?

BETTS: Yes, I definitely do. Although it certainly has some things about it I like, I think it would be abused just as much as it is with an elective office. In other words, now we're in a position where we might see that with [State Treasurer] Jesse Unruh having just passed away, there's going to be an appointed treasurer now. In my opinion that treasurer should be qualified financially, not just politically, financially. My guess is he won't be. And that's true of whoever makes the appointment, either party, I'm not being critical of either party. Therefore, if the office was appointive, would a financially qualified person be appointed any more than they run for office and not be qualified. I don't think they would be. I think it would be merely a political, for lack of a better word, a political hack in that office. Therefore I don't think you should take it away from the people.

REINIER: Do you think that the treasurer has more independence because he's elected?

BETTS: Definitely. I mean, I never had to go see the governor if I didn't want to. That's one thing

I'm sure the governor would like to see, all the constitutional officers appointed. But he has his Department of Finance and he has his other departments and he has all of his appointed people. So I see nothing wrong with our system of electing the six constitutional officers. It gives them a great deal of independence, entirely different than being appointed. If you're appointed, you definitely owe some allegiance to that person. And I didn't owe it to anybody but the people of California. I could do the things I thought were right, try to get them done. I was in an office that had an awful lot to be done and I don't think that I could have gotten it done much faster than I did. It has since progressed rapidly and I think this is good. The office was so run down in 1956 as far as what the duties were, it has taken a long time to get it back up to where it should be.

Governor Edmund G. Brown, Sr.

REINIER: What about your relationship with Pat Brown then?

BETTS: My relationship with Pat Brown was always very good. It was not a very real close relationship that an appointed person might have had. I was

not a part of his cabinet, I think they called us a kitchen cabinet or something. We would have dinner at the mansion occasionally or breakfast at the mansion. I would go see him particularly on bond problems, trying to explain to him what I was trying to do. Sometimes it might have sounded like I wasn't doing what he would have liked to have seen done on bonds or something like that. But no problems at all, my relationship was very good.

The Other Constitutional Officers

And I would say with all of them, my relationship with Glenn Anderson, the lieutenant governor, was probably the closest of any of them, we met more often together than any of the others. Alan Cranston and I met all the time at committee meetings, at all the various finance committees I was on for all the different bond sales and the Pooled Money Investment Board and that sort of thing. My relations with the Republican, the only Republican at that time, Frank Jordan, were excellent. I thought he was a very fine man, and I could go see him any time I wanted. He was a good one to get advice from, particularly the advice around the capitol, the political advice and so on. And then the

BETTS: attorney general, Stanley Mosk, I got along fine with him. Of course, he was not in the capitol, so I didn't see him as often. His office was not there, whereas the rest of us, I think, were in the capitol. So, I had no problem with relations.

I do feel that I was possibly a different breed of Democrat than most of them were. In finance, generally, you're going to be far more conservative than most people on fiscal affairs. I certainly was, I think, more conservative on those affairs. I think I was probably, well, I know I was the most conservative of the people in office, the consitutional offices. On domestic affairs I was probably moderate where most of them were more liberal. Foreign affairs didn't matter because we weren't in foreign affairs, but I certainly would have been more conservative there too. This didn't effect our relationship at all. I got along fine with all of them.

Independence of the Elected Constitutional Officer

REINIER: But because you were elected as an individual you did feel an independence as far as the governor was concerned, the same way you did as

far as the legislature was concerned.

BETTS: Absolutely. I felt completely independent. Don't misunderstand me, I didn't abuse this, at least I don't think I did. I tried not to. I mean if the governor wanted something, or he wanted to see me, naturally I would comply. I didn't try to rebel against him or anything like that. I had no reason to, I agreed with him. The main problem or one of the big problems then was the water program and I was an integral part of that and on his side 100 percent. On most things I was there on Pat's side. Now Pat is a very easy man to talk to, no problems at all. But the independence, I felt if I disagreed with him, which I did on a couple of political matters a time or two, I told him that I disagreed and I couldn't go along with him. I'm not going to go into what they were, but he said, "Fine, that's the way you do business." And I said, "That's right."

REINIER: So, it's really different than how the federal government works.

BETTS: Absolutely. Their cabinet are all appointed by the president, therefore, they owe him much more than I owed anybody except the people of California. I always figured I was working just

for the people of California. And, in fact, that's been my whole life. Even when I was in the air force as pilot I was working for the people of the country. And then when I got out, except for a year or two, I either owned my own business or I was treasurer of the state. So I have been very independent all my life. Maybe if I have a fault that's obvious to everybody, I have many faults obviously, but it could be that it's my independence or stubbornness or something like that because I have always been independent.

REINIER: Now, if there's a conflict of interest on the federal level and a cabinet officer disagrees with the policy of the president, he really has to go along with it, doesn't he?

BETTS: He's got to put forth his thoughts on the matter, and if the president says, this is the way we're going to do it, he's got to go along. I did not have to do that.

REINIER: So if you disagreed with the governor, you could pursue an independent course.

BETTS: Absolutely. It would normally be done not in public. I mean, as I say, I tried not to be obnoxious about it. If we disagreed, we disagreed in his office probably. Unless it was

something urgent, on a couple matters I disagreed outside of his office. Generally it was not something that you took out into the public and made news out of it.

REINIER: But you would go ahead and do what you thought you should anyway.

BETTS: Yes, yes. Definitely.

REINIER: Did you use the press?

[End tape 3, side B]

[Session 4, August 18, 1987]

[Begin tape 4, side A]

XI. THE TREASURER AND THE CIVIL SERVICE

Civil Service Employees

REINIER: We were talking about your relationship as treasurer with the legislature and then with the governor, and I was curious about the relationship of the treasurer to the civil servants in the office.

BETTS: Well, the relationship of myself with the people in my office was certainly very good. The civil service people are there, obviously, for the continuity that they furnish between administrations. I, as I've mentioned before, believe that the treasurer should be qualified in financial matters one way or the other, whether he's a CPA or some other educational and experience background. So that when the civil service people within the office, who were very competent, we had some very good people, come to us and say this is what they're doing, we have the knowledge to understand whether or not they are doing it properly and also doing as much as

can be done for the people of California. Now, as far as number of employees, I think that my theory was always that we kept the number of employees at a minimum and not build up to the word that most people like to use of a bureaucracy. Where you, in effect, have someone in a civil service rating who heads a department and thinks that the main measurement of success is how many people work under him or her. Therefore, I'm pretty sure that we had about the same number of people working for us when I went into office as when I left office.

REINIER: About how many was that?

BETTS: There were around thirty-five, or forty. I now notice that the treasurer's office has some two hundred-plus employees. So, obviously, in the last twenty years it's changed considerably.

Department of Finance

REINIER: Another area that we should explore is the Department of Finance and the relationship of that department to the treasurer's office.

BETTS: Yes. That was obviously the department most closely connected with the treasurer's office, being finance and we were in financial business. The governor, Pat Brown, had appointed Bert [W.] Levit as his first director of finance and after

that he had John [E.] Carr and then Hale Champion. All three of these men I got along with very well, I had no problems with them. John Carr, particularly well, in that he and I both agreed that the investment authority should be in one place for the state. We attempted to get it accomplished. We met many times and talked about it, and actually had it accomplished only to find that it fell apart because of personnel problems. This is a good example of bureacracy, because civil service people that were in charge of his investment department, which was doing the investing for some of the funds, actually would not go along. He was unable to control them to any extent. It was an unworkable arrangement, so it didn't go through. But as far as my relationship with the director of finance it was always very good, with all three of them.

As far as our relationship with the Department of Finance, I think sometimes we might have had some problems. Some of the people, the long-time employees of the Department of Finance, were still thinking of the treasurer's office back in the days of the 1950's, early '50's, when the prior treasurer

BETTS: had been there, not the one just before me [A. Ronald Button], but Mr. Johnson prior to that. Therefore, they felt that the Department of Finance should really control things and, of course, I felt differently. Where I ran into problems like that, by discussing it with the director of finance, we never had a problem, because obviously it was his problem to take care of that employee, which he did.

REINIER: But do you think there's a potentiality for conflict...

BETTS: Yes.

REINIER: Between the director of finance and the treasurer?

BETTS: Yes. Absolutely. I think there was, probably, a better potential for conflict then though than there is now, in that we were trying to get the office back on a respectable basis after thirty-three years, I think it was, of problems. Therefore, it took more talking to these people and trying to explain to them that we were trying to accomplish something and would be able to.

The Treasurer and His/Her Staff

REINIER: Now, you were a treasurer with financial background. But if the treasurer is more of a

politician and doesn't have that financial background, do you think he would depend much more heavily on staff?

BETTS: I don't think there's any question about it. I think that he would have to depend on staff. He would put himself in a position of merely making policy decisions based on what the staff presented to him. That's where the problem comes. If the staff presents him all good information, he's in good shape. If the staff does not give him good information, he's in trouble because he doesn't recognize the problems.

REINIER: So in that situation the staff really has more power, doesn't it?

BETTS: Definitely. The staff would have much more power when they have someone in office who is a political type person rather than a financial type person. There's nothing wrong with being both if you can. I still contend that the controller and the treasurer should have a financial background. Obviously, I was there eight years and it's been twenty years since then, and they still haven't accomplished it, so I'm sure that it's going in the other direction, more of the political type office. Particularly

with the change in campaigning we're now in. You look at someone on the television and if they can spend enough money, that man or woman is apt to get elected to an office regardless of their background.

XII. CAMPAIGNING FOR THE TREASURER'S OFFICE, 1962 AND
1966

Pluses and Minuses of Campaigning

REINIER: Let's talk about campaigning a little bit because that clearly is part of the political aspect of the treasurer's job.

BETTS: Right.

REINIER: What are your reflections, as you look back, on the necessity to get elected?

BETTS: Well, of course, it's the same old story that I think you've heard from a lot of people, you can't do any good unless you are elected. So if you want to accomplish anything, you have to face the election first and win in that, or you might as well have stayed home. So my reflections are many and varied on campaigns. I certainly had some tremendous experiences in campaigning, I also had some very unhappy ones.

People, if they liked you, it's amazing what they would do for you, as far as spending

time, not money, because most of them didn't have a lot of money, but would spend a few dollars. They'd put up signs and that sort of thing. So that the campaigning from that point of view was very, very fulfilling. I felt that you were making friends throughout the state. They were good people, if they liked you, they worked hard for you. You wanted to win not only for yourself, but for them.

Another facet of it which was also very interesting was the fact that I was able to meet people that I would never have met otherwise, such as [President] John [F.] Kennedy and [President] Lyndon [B.] Johnson, [Vice President] Hubert Humphrey, many others. You would be at dinners with them and be able to talk just informally with them. I remember one campaign, it was not my campaign, it was Johnson's campaign. He came to town, and myself and Glenn Anderson were the two constitutional officers that were around to meet him. We went up to his hotel room with him and, of course, there were all those yellow roses. If you remember when Lyndon Johnson was active, it was the yellow rose of Texas. It was very, very interesting, things like that that happened. So

BETTS: I certainly have no misgivings about having participated in the campaigns. Also, probably because of being treasurer and campaigning I was able to meet [President] Harry [S.] Truman for whom I have a tremendous amount of regard! I think he will go down in history as probably one of our better, best presidents. So these things are certainly pluses.

The minuses, I think as time goes on you get them out of your mind and forget them, because it's not going to do any good to keep harping on those or thinking about them. The biggest minus probably, from a personal point of view, is the fact that it wore you out. When the campaign was over, my face was drawn, I'd lost a lot of pounds. I couldn't afford it at that time, now I can, but at that time I was not too fat. I was rather skinny. I would come out completely drawn out and very, very tired. In the '62 campaign I even came out with bleeding ulcers and had to go to the hospital after that campaign. So, it had tremendous advantages and tremendous disadvantages.

Campaign Tactics

If you're interested in how we actually campaigned, I could go into that, if you'd like.

REINIER: Well yes, how did you campaign?

BETTS: We did not campaign with television as it was really just getting started for campaigns. We tried to buy a little radio time. Basically our money went for two things: one was billboards and the other was for what we called sniping. That was where we would put up one sheet which would be sheets of paper maybe three feet by four feet, something like that, all over the state. We actually hired two men and a truck for the month or two before the primary and the general, to go out and cover the state. We had signs, black and green, all over the state. So they were out doing that while I was out trying to meet with the people. I would go to the picnics. I would go to all of the different things the party would have or other things that people would have. Also on our tours, and this was constant, we would go into an area, always trying to see the radio station, because this was where you could get some free time, get an interview on the radio station. If they had television, you'd do your darndest to get on the television. Always see the newspaper or newspapers. We were trying to get the media and some coverage so that we could get our name out

in front of the people because we did not have money. It was very difficult to raise money. I read now the amounts of millions that they're raising and I wonder if there isn't something quite different in politics than there was when I left twenty years ago.

REINIER: How did you raise money?

BETTS: I raised money by going to luncheons that people would put on, and charge maybe twenty-five dollars for the luncheon or something like that. Now they wouldn't even give one for that small amount, I don't think. I think we probably had them for ten and fifteen dollars also. So, we were very happy to get money in any amount like that. We also would try to raise it from any lobbyist that we might know. The first year, the first campaign, I didn't know a lobbyist in Sacramento or anywhere else. Second and third campaigns we did, and we would get small amounts from some of the lobbyists, but I mean small by comparison with today's type of campaigning.

REINIER: Did you have a campaign chest of any size?

BETTS: No, we were always in debt, and always having to try to figure out how we were going to make our payments. And that was one of the big things that I hold against campaigning. The candidate

just does not have the time to go out and raise the money, meet all the people, see all the media throughout the state, which is what we were trying to do. I think we probably talked to more newspapers, radios, television stations than anybody else, because this was the only way we could get coverage. The treasurer's office at that time was still trying to get out of the doldrums. It was not a glamorous office, we had two appointments only, so it was very difficult trying to raise money. We would do it, we might have had a dinner now and then for an amount that people would pay to come to the dinner. Actually, I can't think of any other way we did raise money.

REINIER: What about banks and underwriters, did they contribute to your campaign?

BETTS: Banks and underwriters would, yes, they would contribute to the extent that if you had a dinner or lunch or cocktail party for fifteen to twenty-five dollars, they would send a person or two people to that cocktail party let's say. So you would get twenty-five or fifty dollars from them. I think basically it was more that they knew me and it was a friendship type of thing rather than that they were getting any business

out of it.

The 1962 Campaign

REINIER: Now, in 1962 [Assemblyman] John [A.] Busterud really went after you in the press. Do you think you were treated unfairly in that campaign?

BETTS: I think I was treated very unfairly. I think that the political reporters are a very unfair group of people, as a group. There were some good ones. The financial reporters I don't object to too strenuously, but the political reporters have turned me completely against the press to the point that I will not, to this day, believe too much of what I read in the paper, hear on the radio, or hear on television. I saw what they did with things, or the untruths that they printed. They didn't try to get an answer to disprove whatever might have been said. Print it, and then as the saying goes, if it's wrong we can print a retraction on the obituary page. So, yes, I think it was very, very bad coverage.

I think John Busterud was the one opponent I had that I lost all respect for during the campaign. As I say, A. Ronald Button, my first opponent, and Ivy Baker Priest, my third

opponent, I had no real complaints. I might not have liked some of the things they said, they probably didn't like some of the things I said, but it did not get down to a mud-slinging contest like John Busterud tried to make the campaign. The funny thing was that in the John Busterud campaign [1962] I won by a much, much larger margin than I did in the first campaign [1958]. And, of course, I lost the third one [1966]. So I don't think that his tactics really paid off.

REINIER: Now, Busterud, of course, tried to find areas where he could accuse you of conflict of interest.

BETTS: Right.

REINIER: Given that experience, are there things that you might have done differently on reflection when you learned how rough it could be?

BETTS: The only thing I can remember that I might have done differently, was that I think I owned \$1000 worth of stock in a bank. Dealing with the banks, obviously, it would have been better if I had just sold that stock and not had it at all. I can't think of anything else. Well, I think he accused some people, appointees of mine, of various and sundry things which I was not aware

of, and I'm still not sure what he was talking about. So the only thing I can say there, would be the same as probably President [Ronald] Reagan is saying now [1987], and that is be very careful of your appointments.

REINIER: But that '62 campaign was a rough time for you personally because it did leave you ill, didn't it?

BETTS: It left me ill. It was also a very rough time in my personal life. I had just gone through a divorce and I had remarried in July of '62, after the primary and before the general. But going through a divorce is not pleasant at any time in your life, and I think that Busterud somewhat took advantage of that also.¹

REINIER: But you won that campaign and the ticket, of course, also won in '62. But then in 1966 when you lost against Ivy Baker Priest, the ticket also was defeated, of course, by Ronald Reagan. So, do you feel that your fortunes were mostly affected by those of the Democratic slate?

BETTS: Well, I think you'd have to say they were. I like to think that some of it was done on my own, for instance in the '62 campaign when we

¹Betts married Barbara Lang Hayes, city attorney of Carlsbad, San Diego County, in July 1962.

won. I think the other part of it is the perseverance that I had: to be on the slate in '58 to start with, to get the CDC nomination and so on.

The 1966 Election

By the time we got to '66, I would like to just give some figures. The lieutenant governor lost by a million and a quarter votes in '66. The governor lost by a million votes. The attorney general, who had just been in office a couple of years and replaced Stanley Mosk, [Thomas C.] Tom Lynch, the former district attorney of San Francisco and a very close friend of Pat Brown, was able to squeeze through and won. The night of the election--both Alan Cranston, the controller, and myself as treasurer--all of the stations were saying that we had won. We listened long enough, about two o'clock, I think, the only station that said there was a problem was KNX in Los Angeles. They said their projections showed that we would both lose by morning because Orange County was not yet in; and when it came in, there would be enough to beat us. We both got defeated by about 100,000 votes.

So, when you consider that the governor

BETTS: lost by a million, that the lieutenant governor a million and a quarter, I felt that Alan Cranston and I both did pretty well. The financial side of the ticket ran much stronger than, let's say, the political side, the governor and lieutenant governor. So, I didn't feel too badly about it. I was certainly not happy at having to make some new decisions about the way my life was going to go, but it was not a bad campaign.

REINIER: Had you been successful in that campaign by a few more than 100,000 votes, you would have been serving with a Republican governor.

BETTS: Right.

REINIER: Would you have been comfortable with that?

BETTS: Yes. I think I would have. I really don't think I would have had any problem. We would not have been discussing the political problems, which I did with the Democratic governor, where maybe we disagreed. With a Republican governor the only things we would have been discussing, I'm sure, would have been the financial--bond selling, investment--and places where he had his director of finance on the committees or he was on the committee that I was on. So, basically I can see no difference in philosophy as to

wanting to get the best, lowest interest cost on bonds, wanting to get the most investment earnings you could, so I can see no problem.

REINIER: So you would have been happy serving indefinitely?

BETTS: I'm not sure about that, but for a short time thereafter, I would have had no problem. I think it's entirely different than the governor and the lieutenant governor. There I think they should be the same party, I really do. We haven't had that recently. But I think they should be the same party because they are more political. If anything happens to the governor, the lieutenant governor is next in line and so on. But I don't think that the financial officers need to be the same party. Now, if these offices get to the point where they are strictly political and maybe it's pointing in that direction, then I might change my mind as the years go by. I don't know to what extent a very politically powerful treasurer could create a problem for a governor of the opposite party. I don't think that we need too many more problems in government. So that could change depending on what happened.

The California Democratic Council by 1966

REINIER: One other thing I wanted to ask you while we were still talking about elections, by 1966 you had really broken with the CDC, hadn't you?

BETTS: Yes, I'd broken with them completely. I did not even attend their convention.

REINIER: What were the issues?

BETTS: Between me and the CDC?

REINIER: Yes.

BETTS: The issues were their philosophy and their stand on various and sundry state and national issues. In other words, they were, particularly the leadership, they were so far left of where I was, that I just couldn't see eye-to-eye with them. They took stands on many things on which I just plain disagreed. I figured that it was ridiculous to go to their convention when I couldn't agree with their policies, so I did not attend their convention. I think it was an entirely different type of philosophy than it was in '58.

REINIER: I was going to ask you, what happened to the CDC in the mid-sixties?

BETTS: They did the same thing that I guess our society did, they went much further to the left of where they had been. It was just more than I, I couldn't go that far left. I certainly am for

social programs and all that sort of thing; but you can only carry these things so far. I thought they carried them way too far.

REINIER: That was in the context of the student protests and...

BETTS: Student protests at [the University of California at] Berkeley, I was violently opposed to. Not only that, we had protests in front of the military bases, things like that...

REINIER: Opposition to the war in Vietnam.

BETTS: Right. I just did not agree with that philosophy at all. Whether I was in the minority, I don't know to this day. But at least I had my convictions and I was not going to bend those convictions to go to their convention.

REINIER: By that time then had the CDC ceased to play the important role in California politics that it played in the late '50's?

BETTS: Absolutely. They were not in '66 necessary for a candidate to run. He didn't even have to worry about the CDC endorsed individual or anything.

REINIER: So once the Democrats achieved power, then the party split into its component parts?

BETTS: They did the same thing that most parties do.

When they get back in power, they start splitting in all directions, and then they lose power. Then the other party comes in and that's what keeps the pendulum going back and forth. So, as I've told you before, I was not that liberal a Democrat, probably a very conservative Democrat. I believe in social programs, I believe in strong defense and things like that. I just felt that we were taking the wrong track on some of these things that were happening around the country.

REINIER: Then, after you were defeated narrowly by Ivy Baker Priest [in 1966], what did you do then?

XII. MUNICIPAL BOND CONSULTANT

BETTS: I thought for a long time as to what we should do, because we had our home now established in Sacramento. We had purchased a ranch also in Sacramento County, part of it in Sutter County, the rest of it in Sacramento County. So our interests were here. We had five or six of the children living with us, seven I guess.

REINIER: We should say that the two of you together had ten children.

BETTS: Right. I had six children, my wife [Barbara Lang Hayes Betts] had three, and then we had

one. So we had, I guess it was seven children living with us at that time. It's a big decision to have to uproot them and go back to San Diego where I had come from. My wife was from Orange County. And my wife had an office, practicing as an attorney here in Sacramento. So we made the decision to stay here in Sacramento, and that I would open a practice as a municipal bonds consultant, rather than going back into a practice as a certified public accountant, which I had done prior to leaving San Diego. So that's what we did. We rented an office in the Bank of Sacramento building at 7th and J [Streets]. And we stayed there ten years, practiced municipal consulting...

[End tape 4, side A]

[Begin tape 4, side B]

BETTS: I practiced as a municipal bond consultant, having sold more bonds than anyone in the United States from the municipal and state level at that time. So what we tried to do was to do consulting for cities and counties and districts and things like that which could help bring them a lower interest cost on their bonds. Now in doing this we did not sell any bonds. We did not act as an underwriter. There were many

consultants in the field who were acting as an underwriter. Therefore, they could make their profit from the bonds that were sold rather than, necessarily, from giving advice to the municipality. I felt that was a direct conflict of interest. I still do but they still do it and that shows that we're not going to change the world overnight. But at any rate we did a number of jobs for various places including Los Angeles County, we did one or two jobs for them. In fact, I sold the bonds for them for their Martin Luther King Hospital which was a pretty good-sized job. So that we did go along and things worked out fine. My wife continued to practice law and I did this. We built up a small staff of very good people.

At the end of that period, just before our ten year's lease was up, in effect, I started having tremendous headaches and problems I had not anticipated. So that, in effect, I was not able to continue working or being efficient at all. I'd been in an automobile accident in 1968 and had some bone chips that were moving around in the upper part of my neck, so I had some problems. So at the end of the ten-year lease I just closed that shop up. My wife continued to

practice law. And that was probably about the extent of that.

So that, in effect, I've had really four careers. My first career after getting out of school was a pilot in the air force, then my own public accounting practice, then treasurer of the state, and then municipal bond consultant. So that I figure I've pretty well covered the spectrum and I have had a very interesting life.

REINIER: And you retired then in the mid '70s?

BETTS: Late '70s.

REINIER: Late '70s.

BETTS: There's one other thing, that if you want to go back, I can go back for a minute to campaigning. It was amazing how sometimes during a campaign you'd be at a meeting or you'd be riding in a parade or any number of things where you would meet people I had known in some prior part of my life. And one particular event I remember. We were riding in a parade, I guess we'd just finished the parade, and going down the street in a car. And a convertible pulled up along side of us and this man waved at me and was yelling and talking to me. So we figured out a way to meet. We sat down, and this was my basic flying instructor when I was at Lancaster in my

basic flight training. His name was Larry Chapman, and he was probably the best, well he was certainly the best instructor I ever had in flying. He was probably one of the best pilots that I had every flown with. Very, very interesting man. So I hadn't seen him since 1943, and this would have been early '60s sometime. So we had many meetings together. He would come to Sacramento on business. He was still in the Air Force Reserve. Instances like this when I met people whom I would never have probably seen again certainly was another advantage to campaigning or being in office.

XIII. CHANGES IN THE TREASURER'S OFFICE BY THE 1980S

REINIER: Now the treasurer's office, by today, by 1987, has certainly expanded greatly in California compared to what it was when you were treasurer. And, of course, I think we can attribute that expansion to the efforts of Jesse Unruh who became treasurer in 1975. But I think it would be interesting to compare the office now with the way it was in the 1960s when you were treasurer.

Increase in Numbers of Appointments and
Employees

BETTS: From what I've seen of the literature put out by the treasurer's office now, it's obviously an entirely different type of operation. I have not kept up with it over the years and I have just looked at some of their literature recently. But you can take any number of comparisons. We had thirty or forty people in the office. We tried to not increase the number of people while the volume of business was increasing very rapidly because the state was growing by leaps and bounds in the '60s and late '50s. The office now as I read their information has two hundred-plus employees, which is a number of times over what I had.

REINIER: Now are those civil service employees or are those appointed individuals?

BETTS: I really don't know the answer to that. But in looking at some of their brochures and things they put out, particularly one here called Boards and Commissions,¹ they seem to have an acting executive secretary or an executive secretary for eleven different boards and commissions. Now how many additional are there besides the ones on that particular sheet of

¹Jesse M. Unruh, California State Treasurer, California State Treasurer's Office, n.d., p. 8.

paper? My guess would be that those executive directors are all appointed. The deputy and the assistant treasurer, I'm sure, are appointed and what other appointments, I don't know. Where we had a deputy and an assistant as appointed and the rest of the people as civil service, the treasurer's office now, in my opinion, must have ten to twenty or more appointed people on payrolls. In addition, the treasurer has appointments of nonpaid people to the extent of, say, a board called the Districts Securities Commission where I believe he appoints all seven of the members. Other commissions and boards I am not familiar with so I don't know what type of appointments he has. I have noticed on many of them where it says that the governor will appoint so many, the treasurer will appoint so many. So that as far as what we call patronage or anything that could help you in a reelection campaign, for instance, whether it be by contributions or whether it be by work, we didn't have anything by comparison with what the office now has.

As far as the civil service employees, obviously where we had thirty or forty, that's my recollection, and they now have some 200

BETTS: total, so maybe 180 or 175 civil service people at least. It seems like you could be almost reaching the point of calling it a bureaucracy. I don't know how they operate. They seem to have a tremendous number of categories in their organization chart which we would never have even considered.

Comparison with Controller's Office

REINIER: Now one thing we should point out, when you were treasurer in the '60s, the controller had a great deal of patronage that was available to him. Now that has changed because he lost the power to appoint the inheritance [tax] appraisers.

BETTS: Yes, the controller was definitely the more powerful of the two offices, the controller and the treasurer, because he did appoint all of the inheritance tax appraisers, I think they were later called referees. So he had in every county in the state an office with his name on it. Now, the treasurer is on some fifty or sixty boards, I'm not sure how many. He's chairman of a number of them. I certainly would agree that maybe half of these are things that should be and I think I would probably disagree with probably half of them as not being

necessary. But, of course, that's not necessarily the treasurer's doing or his fault because the people or the legislature or the governor have put a lot of these commissions and boards forward to solve some certain problem they had. For example, whether it be lack of funds to pay for things on a cash basis, pay-as-you-go, therefore, California will sell bonds, and in that case obviously a commission or board is created. The treasurer there, Mr. Jesse Unruh, certainly had the connections from his days as Speaker of the Assembly. When these things were being formed, he had the ability to get himself appointed as chairman to a tremendous number of them. I think that's all well and good. I think the treasurer's office needed to be far more powerful than it was when I was there. And again, I repeat, that we were trying to build up from a very low level. So I think that it's good, but I'm not sure at what point the growth should stop and take a look at whether they're operating as efficiently as they could be.

Increase in Treasurer's Participation on Boards and Commissions

REINIER: Are there any of these boards and commissions

that you felt, when you were treasurer, you would have liked to have been a member of?

BETTS: Yes, definitely. The District Securities Commission, to start with. When I was treasurer I was not on that commission. They were reviewing the districts'--the water districts, irrigation districts, all types of districts--bond issues. I felt that the treasurer should be on that commission because every bond issue sold by a municipality or district in the state of California affected the overall credit. Therefore, we did get legislation that put me on the District Securities Commission. Since then, the District Securities Commission is now appointed by the treasurer, as I understand it. The treasurer serves on the commission also and it is administered by the treasurer's office, it's part of the treasurer's office.

There were two others that were very definitely ones that I thought that the treasurer should be on which we were never able to get on. That is the Public Employees Retirement Pension Fund and the California Teachers' Retirement Pension Fund. So, the treasurer is now on those, both of them. I think this is good because there is an overlap

between the investment policies of those boards and the investment policies of the treasurer's office. Theoretically, in my opinion, it should all be done in one place, that's the actual investing, the nuts and bolts of doing the investing. It's not, but at least with the treasurer on those boards, I think that's a good step forward.

REINIER: So, one very important area of growth in the treasurer's office has been the boards and commissions that the treasurer either sits on or that actually have come under the jurisdiction of the treasurer's office.

BETTS: Very definitely. In looking at a list here of the state treasurer's participation on authorities, boards and commissions, I'm sure that half of these boards or more were not even in existence twenty years ago when I left office. Here's one, for instance, called California National Guard Finance Committee. I have no idea what that committee does. I'm sure if it was around when I was treasurer, I had never heard of it. California Passenger Rail Financing Commission. California Industrial Development Financing Advisory Commission, now that's one that I think definitely the treasurer

should be on, just taking a look at this list. When I was treasurer, I was opposed to industrial development bonds and tried to keep them under control from the local areas issuing them. We did it on a national level also, through the National Association of the State Auditors, Comptrollers and Treasurers. Now industrial development bonds seem to have gotten out of hand, and as long as they have them and they're around, I think the treasurer should certainly be on that commission. So again, there are a lot of these that I'm very happy that the treasurer is a member of the commission. However, I do feel that a lot of them are probably ones that if I had been treasurer at the time, I would have opposed their formation. But if they were formed, I obviously would have thought the treasurer should have been on them.

Increase in Bonds Sold at the Local Level

REINIER: Now many of these seem to result from an increase in selling bonds, especially at the local level, is that right?

BETTS: Yes, I think that's very true. I think that came about somewhat from Proposition 13, when the local communities did not seem to accept the

fact that the public said we want less spending and they found ways to go ahead and spend, but not pay-as-you-go. I think that they were not interpreting what the people said. Again that's only my opinion. So what happened is that commissions were formed, in effect, to sell bonds to aid the local areas in different types of things.

Treasurer's Influence on Local Bonds

REINIER: That means that when bonds are sold at localities throughout the state, they have to be approved by the treasurer's office in some way.

BETTS: That's right.

REINIER: So, that greatly adds to the power of the treasurer, doesn't it?

BETTS: Very definitely. It not only adds to the power financially, but probably politically more so. Because you've got the local people now having to deal with the state treasurer.

REINIER: And his name is spread throughout the state and his influence...

BETTS: And he puts his name, he's able to put his name and his picture on various brochures put out by local districts, things like that. They will all say, approved by the state treasurer so-and-so. Therefore, the more you get name

recognition, politically the better it is.

Contributions to Campaign Chest

REINIER: Now, people in localities, are they encouraged then to contribute to a campaign chest?

BETTS: I would think that that would be true, that they would be encouraged to contribute, particularly if you look at the industrial revenue type bonds, where you have private enterprise getting the use of tax-exempt money to build their facilities usually. Obviously, if a group of people want to get into a certain activity and they can convince the local body to go for the industrial revenue bonds, it's going to save them a tremendous amount of money in interest costs. With the local people, they are also helping private enterprise. The state treasurer's office is also involved. So that all in all I think that it would lead to contributions for political purposes.

REINIER: So, this greatly increases the political power then of whomever is treasurer.

Increase in Power of the Treasurer

BETTS: I would think that all of these things that we've discussed, the changes, make the office far more politically powerful than it was when I was in office. In fact, when I was in office,

there wasn't much political power there. We had a very difficult time in raising any funds. I do believe that a lot of people will contribute funds not expecting you to do anything dishonest or immoral, they merely want to be able to talk to you. So if you can help them, and they can at least get in the door and talk to you, you have a pretty good chance that they're going to contribute to your campaign. I feel that this has been accomplished in the treasurer's office a hundred fold since I left, from all the different commissions and the tremendous increase in investments.

Decrease in Competition

I notice that some of these authorities that he [State Treasurer Jesse Unruh] has, or commissions that they have, say five on revenue bonds, they'll have five different underwriting groups that rotate on bonds of that particular facility in negotiating, supposedly, a sale. To me this is not the best way to do it. Maybe it's the only way he can, but I am firm believer that even in the revenue bonds that you'd be far better off to try to put them out to competition. You can't get competition, you keep trying. To make it so easy for these

BETTS: underwriters to merely come in and know that this bond issue they're going to sell, next time the ABC company is going to sell it, next time the DEF. If you have five different underwriting groups who know their turn is going to come, you're not going to have any competition. It doesn't seem like the best way, in my opinion, to sell bonds.

REINIER: So the competition that you tried so hard to introduce no longer exists?

BETTS: Well, it certainly doesn't on a lot of these revenue bonds. Whether it does on the general obligation bonds, I haven't the slightest idea. I have not seen any sign of it in the papers I've read from the treasurer's office, so I really don't know whether they get competitive bids or they don't get competitive bids on their general obligation bonds.

Campaign Chests

REINIER: But the underwriters then might be another source of campaign contributions?

BETTS: Absolutely. In fact there's no trying to keep it secret, Mr. Unruh's campaign chest, war chest, was listed not too long ago, because you know that all that has to be filed nowadays. He had many underwriters, underwriting firms, on

his list of contributors for \$20,000, \$25,000, \$30,000. This certainly helps run a campaign. In today's market of campaigning when you have so much television, maybe this is necessary, I don't know. But I'm not sure that it's in the best interest of the people of California. I'm not saying it isn't, and I don't know about the difficulties that they had, so I can't say it's wrong. But I know if I were treasurer, I would certainly want to try to get competitive bids on every bond issue that I possibly could.

REINIER: Now, at Mr. Unruh's death, that campaign chest was as large as \$1 million, wasn't it?

BETTS: I believe that was about what it was.

REINIER: So that could be used not only for his own campaign, but to contribute to the campaigns of others?

BETTS: You mean if he had lived?

REINIER: Yes.

BETTS: Yes.

REINIER: Or could have been in the past?

BETTS: Yes. That's my understanding of it. Now I never had that problem, so I don't know. As I say, the campaign chests that we had, never developed. They were always a deficit for the entire campaign. We were trying to pay off

campaigns after the campaign, and I don't think we ever raised more than \$100,000 in any campaign. As I said, the first one was \$24,000, \$25,000, where now they get that from one underwriter.

Increase in Technical Staff

REINIER: Now, the staff has greatly increased, as we were mentioning earlier, from thirty-five when you were treasurer to over 200 now. Has the staff become more powerful in the way that the treasurer's office operates?

BETTS: From experience, I can't tell you, or from observation, because I have not been in the treasurer's office in twenty years. But it would seem to me that it would have to have become more powerful, because you have the technicians on all these different things. As I mentioned, I see eleven different executive secretaries for different things, as well as the people within the various departments within the treasurer's office. They all now are having to be technicians to some extent or have technicians working under them. They don't all have to be, they have to have them somewhere in that hierarchy. I'm not sure that with so many people that you have the people at the top who

can actually look at what's going on and say, that's right, or why aren't we doing more, or could we do it better. Because I don't know that the people at the very top know the answers to those questions.

More Comparison with the Controller's Office

REINIER: So the treasurer's office has certainly increased in power vis-a-vis the controller's office?

BETTS: Absolutely. I think that the treasurer's office is now, from what I can see, far more powerful than the controller's office. The controller's office used to be far more powerful than the treasurer's office.

REINIER: Quite a change from the days of Charles Johnson.

BETTS: Quite, quite a change. First, as you know, the legislature and the governor, everything that could be taken from the treasurer's office during the late years of Charles Johnson's reign, they took away from the office. So that basically it was stripped down and had very few responsibilities.

REINIER: So would you say then, that part of this recent effort is a desire to build up the treasurer's office from that point?

BETTS: It's a desire to build it up, and I think it was

very important. I think we started trying to build it up. We certainly were not successful in only eight years at that effort. But I think it's very important that the treasurer's office be on an equal footing, at least, with the controller's office. And thus, by having more power also is able to have less possibility of friction with, let's say, the Department of Finance. Because in the past, the Department of Finance was all powerful in state government.

The Treasurer vis-a-vis the Governor

REINIER: Would you expand on that a little bit?

BETTS: Well, the director of finance served on so many boards and commissions representing the governor at different things that he was really going from meeting to meeting, and had many deputies under him who were also appointed. So that the power of the governor's office in the days I was treasurer was really in the director of finance's office. That was the powerful office.

REINIER: So then the governor has lost some power to the treasurer?

BETTS: I would say definitely. Again I'm guessing. I don't know, but I think that the governor has definitely, or let's say it the other way around, the treasurer has definitely appeared in

many, many places where he is either with the governor or the governor's representative on something that he was not on before, or would not have even been considered to be on. And, in fact, some of the appointments, apparently, which the governor would have made to some of these commissions, the legislature has given that power to the treasurer to make some of the appointments.

The Treasurer's Office in 1987

REINIER: Well now, this expansion and build-up of the treasurer's office has been the work, of course, of one individual, largely Jesse Unruh. Now with his death, the office is such a powerful office politically, what do you anticipate might be the results of another individual in that office?

BETTS: That's a hard question. I think that they will probably bring in a political type person. I would much rather see a financial, political person, rather than just a political. I think that if they bring in just a political person, they could possibly get bogged down in some of the problems in finance. Probably not having the relations with the legislature that Jesse Unruh had, the office could either become less

powerful or at least stay where it is. I would not look for it to increase in power, unless the person they bring in is as powerful as Jesse was, and also has relations with the legislature. I don't think there's anybody that has that, because Jesse was the speaker of the assembly for more years than anyone in history. So he still had many of the people in that body who were willing and very happy to make him chairman of a board or a commission that was being established for whatever reason. So, I think that there could be a lessening of power possibly in that office. I think the office is probably powerful enough now anyway. I think they have so many things, I'm not quite sure how the treasurer keeps up with it anyway. So it may be reaching a point where now the pendulum will swing the other way and things will level out.

REINIER: Now that the office has become so powerful, do you think there will be more competition to achieve that office or to be elected to it than in 1958?

BETTS: No. I think there will be a lot of people trying to get this appointment to get the incumbent's position for the next election,

surely there will be people, probably in the legislature. Prior to this, back in '58, for instance, legislators weren't interested in any of the state offices, the Democrats, because they didn't think we were going to win. The reason I hesitate on your question is that I had a lot of competition in the CDC convention. There were four of us running and it was very, very competitive. Now, why any of us wanted the job, I guess the only answer was because we thought we could do something good. I would hope that would still be the reason that other people would want it, but of course the political power is certainly going to bring people in. I think that's why you'll find that more legislators are going to be fighting for this office because they see it as a power base.

REINIER: So that becoming a constitutional officer in this sense has become a step up for a legislator?

BETTS: I think it always was, I don't think there's any question about that. Most of your legislators consider it an advancement, for instance, Mr. Busterud who ran against me in '62. For some reason, they get in their own district and they are so well known and they're well liked and

everybody tells them how great they are. The same old thing, you're walking down the street and everybody pats you on the back. What they forget is that there are seventy-nine other assembly districts that nobody knows them in or thirty-nine other senate districts where nobody knows them. Then when they start to try to run for a statewide office they all of the sudden realize they're out of their bailiwick and they have problems. So I don't think there's any question, in my mind. Of course, I'm sure I'm prejudiced because I never served in the legislature. But I always felt that the constitutional officers were at a different level than the people on the local level, and I include congress in that, because they are representing a local area. To me the United States senator is on the same basis with the constitutional officers, they're representing everybody in the state, whereas the congressmen or the legislators are representing a small district.

[End tape 4, side B]

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